Equity Research - 17 November 2020 08:38 CET

Axactor

Reason: Initiating coverage

Company sponsored research

Not rated

Platform beats size in economies of scale

- Axactor's NPL platform scales better than that of peers
- Market outlook & NPL platform likely to attract PE, again
- Significant and tangible uplift potential for ROE

A platform perfect for adding NPL volumes

Comparing apples-to-apples on costs across the Nordic peers, we note that Axactor's NPL platform seems to scale significantly better than its peers' do; having moved down the cost curve as scale has increased. The picture is more blurred for peers, and we note that Intrum (the largest player) has been on the same cost level in the NPL segment for three years now, even though scale has risen significantly. We calculate that Axactor's cost-to-income in the NPL segment is +20pp lower than Intrum's and other Nordic peers. This is likely due to lower operational complexity and legacy, as well as a little post-merger integration fuzz.

COVID-19 and regulation to boost NPL supply further

Ahead of COVID-19, the NPL market was already in an imbalance and prices had come down significantly from 2017-2018 peaks. In 2020, we have seen slower deleveraging due to COVID-19 and fewer transactions, and European banks have once again started to accumulate NPLs on their balance sheets. In addition, the NPL backstop introduced in 2019, should boost NPL supply further. Combined with lowered investment capacity among debt collectors, this essentially creates a buyer's market for NPLs. We believe that this outlook, combined with Axactor's best-in-class scalability, not only makes it an exciting standalone case, but also an attractive acquisition opportunity for private equity relative to its peers.

Est. fair value NOK 7.8-24.2, significant ROE uplift potential

We see significant short-term uplift potential for ROE, but have not factored in lower funding costs or additional cost savings in our estimates. From the 2019 figures alone, we see a short-term ROE potential of 14%, still subject to upside given better portfolio performance and additional cost savings. Beyond 2020, we see appealing NPL acquisition opportunities and strong EBITDA margin expansion. Lastly, we estimate a fair value of NOK 7.8-24.2 per share, based on DCF, and note that the peer group valuation indicates values in the range of NOK 6.4-31.0 per share.

Analyst(s): Jonas Bru Lien
Jan Erik Gjerland

EURm	2018	2019	2020e	2021e	2022e
Sales	207	285	210	266	280
EBITDA	46	92	41	104	122
EBITDA margin (%)	*22.4*	*32.3*	*19.4*	*39.1*	*43.7*
EBIT adj	34	84	90	93	112
EBIT adj margin (%)	*16.4*	*29.4*	*42.9*	*35.1*	*39.9*
Pretax profit	6	33	-19	39	56
EPS rep	0.03	0.11	-0.05	0.18	0.25
EPS adj	0.01	0.10	0.16	0.18	0.25
Sales growth (%)	*130.4*	*37.8*	*-26.3*	*26.5*	*5.4*
EPS growth (%)	*1,512.2*	*307.2*	*-147.9*	*461.0*	*37.5*

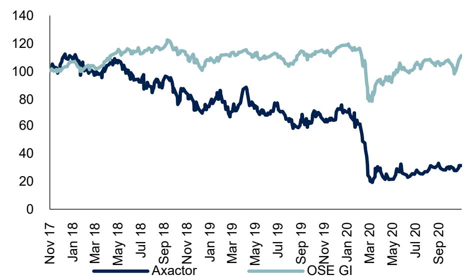
Source: ABG Sundal Collier, Company data

Share price (NOK)	13/11/2020	8.4
Fair value range (per share)		7.8-24.2

Financials, Norway
AXA.OL/AXA NO

MCap (NOKm)	1,555
MCap (EURm)	144
Net debt (EURm)	873
No. of shares (m)	185
Free float (%)	*100*
Av. daily volume (k)	12
Next event	Q4 report: 24 Feb

Performance



	1m	3m	12m
Absolute (%)	*7.8*	*15.8*	*-51.7*
OSE GI (%)	*3.3*	*3.0*	*-2.2*

Source: FactSet

	2020e	2021e	2022e
P/E (x)	-15.3	4.2	3.1
P/E adj (x)	4.8	4.2	3.1
P/BVPS (x)	0.48	0.43	0.38
EV/EBITDA (x)	25.0	9.9	8.4
EV/EBIT adj (x)	11.3	11.0	9.2
EV/sales (x)	4.84	3.86	3.67
ROE adj (%)	*10.3*	*10.7*	*13.1*
Dividend yield (%)	*0*	*0*	*0*
FCF yield (%)	*-50.6*	*-6.4*	*-1.1*
Lease adj. FCF yld (%)	*-50.6*	*-6.4*	*-1.1*
Net IB debt/EBITDA	21.4	8.5	7.2
Lease adj. ND/EBITDA	nm	nm	nm

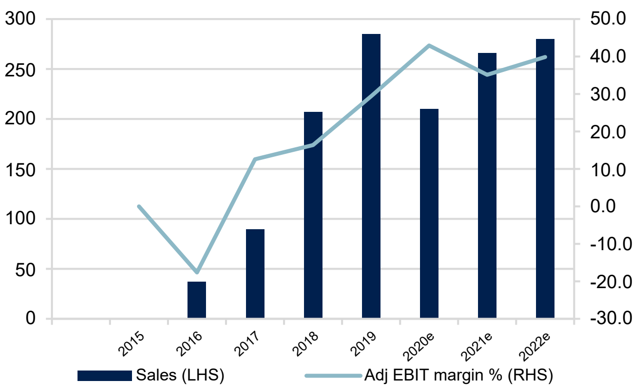
Company description

Axactor is a pan-European debt collector with operations in Finland, Germany, Italy, Norway, Spain and Sweden. Headquartered in Oslo, Norway, Axactor was established in late 2015 and has grown to become one of the ten-largest players in the industry, with support from its cornerstone- and co-investor Geveran. Its core business areas are purchased debt and 3PC (third-party collection), focusing on well-developed NPL markets with a legal environment beneficial for collection. Through its streamlined “One Axactor” operating model, it has developed a scalable, no legacy and low-complexity NPL platform.

Risks

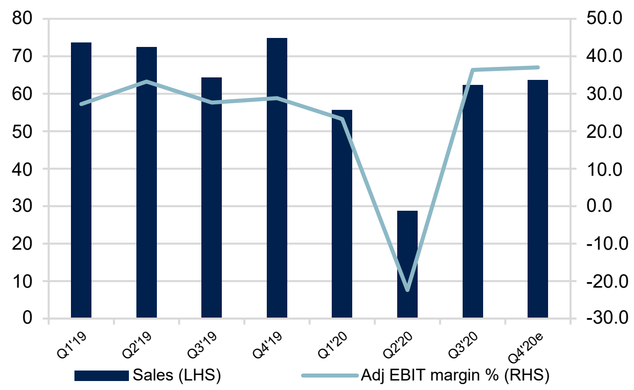
Investment risk, macro risk and regulatory risk are the biggest risks in the Axactor investment case. We see investment risk as the largest risk as we estimate that the company will have high capex going forward, and an investment into a ‘bad’ portfolio and/or company could have a detrimental impact on earnings in the coming years. Furthermore, changes in the macro environment could affect cash collection and the 3PC business.

Annual sales and adj. EBIT marginEURm



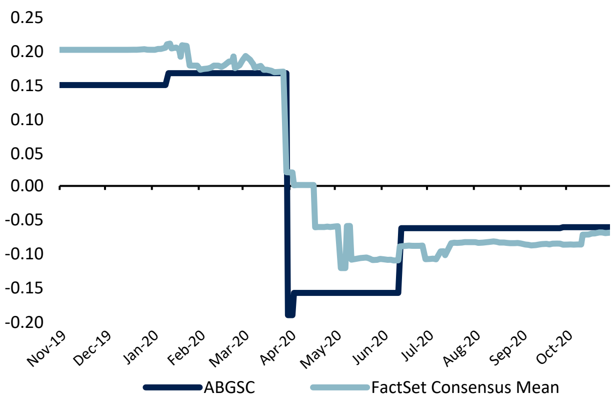
Source: ABG Sundal Collier, Company data

Quarterly sales and adj. EBIT margin

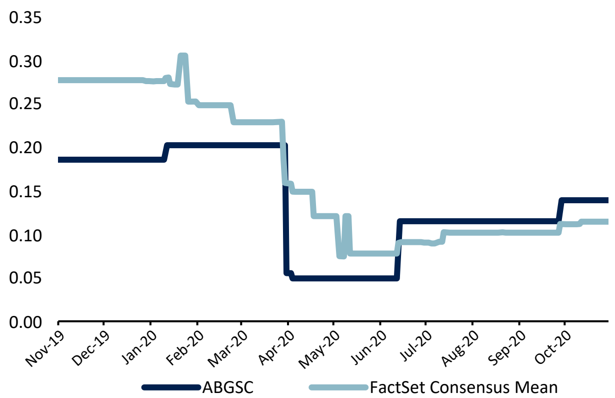


Source: ABG Sundal Collier, Company data

EPS estimate changes, 2020e, EUR



EPS estimate changes, 2021e, EUR



Source: ABG Sundal Collier, FactSet

12-month forward-looking P/E

Source: ABG Sundal Collier, FactSet

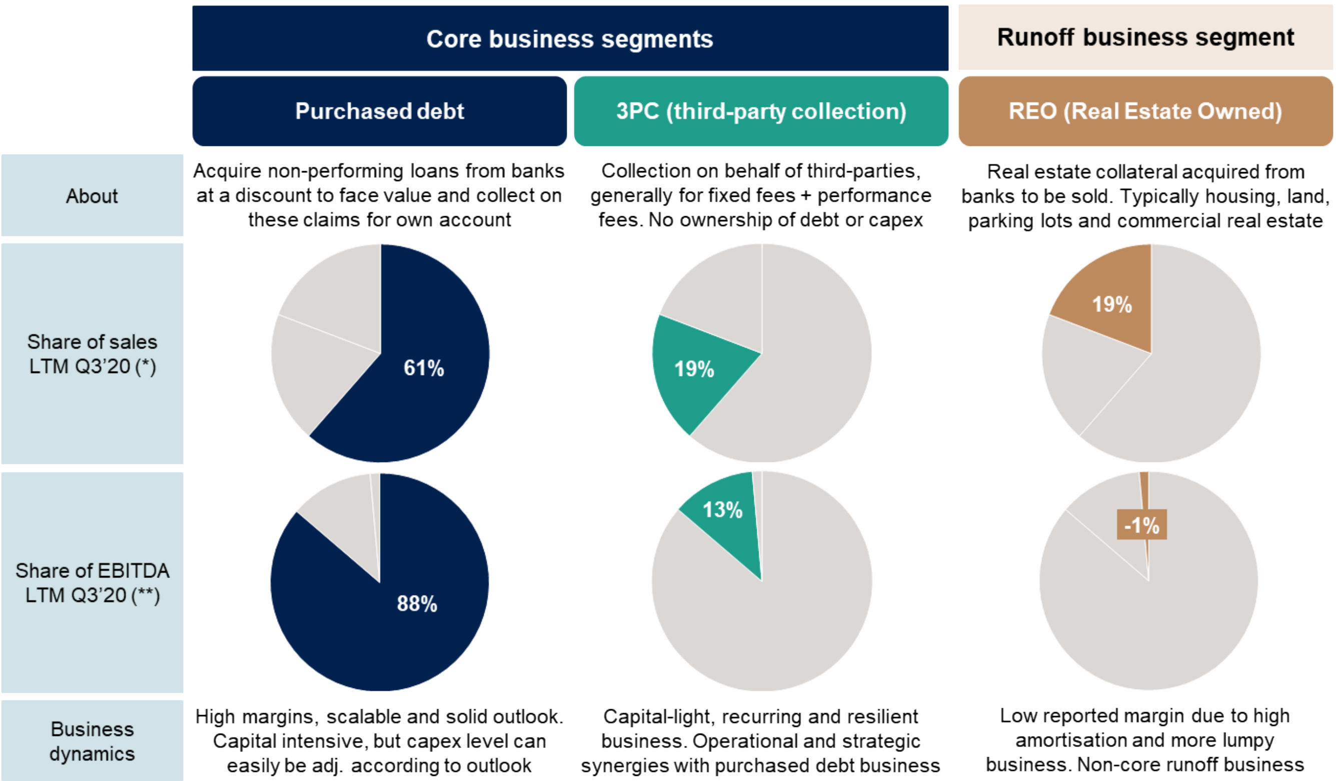
Contents

Axactor at a glance

Axactor is a pan-European debt collection company with operations in Finland, Germany, Italy, Norway, Spain and Sweden, with headquarters in Oslo, Norway. The company's core business areas are unsecured purchased debt and third-party collection (3PC). Axactor has come a long way since inception in late 2015, and has become one of the largest debt collectors in Europe over the course of its relatively short history. Through its streamlined "One Axactor" operating model, focus on few & developed NPL markets and asset classes, Axactor has established a scalable, low-complexity and no-legacy debt collection platform. This makes for a promising story in conjunction with the NPL market outlook, but also for more attractive NPL acquisition opportunities relative to peers, in our view.

Axactor's bread & butter is to acquire non-performing loans (NPLs) at a discount to face value and collect on these claims for its own account. Typically, Axactor acquires unsecured consumer debt from established European banks in developed markets where the legal environment is beneficial for creditors. Axactor seeks to recover defaulted debt, better and cheaper than what banks can do; exploiting the capital arbitrage, efficiency & sophistication gap that exists between collectors and banks. In addition, the company has a meaningful third-party collection business (3PC), which entails delivering collection services to third-parties without assuming any ownership of the debt. 3PC is a capital-light and recurring business with both operational and strategic synergies with the purchased debt business segment. Purchased debt is the most important segment for Axactor, accounting for ~61% of reported revenues and ~88% of EBITDA, LTM Q3'20 (see chart below).

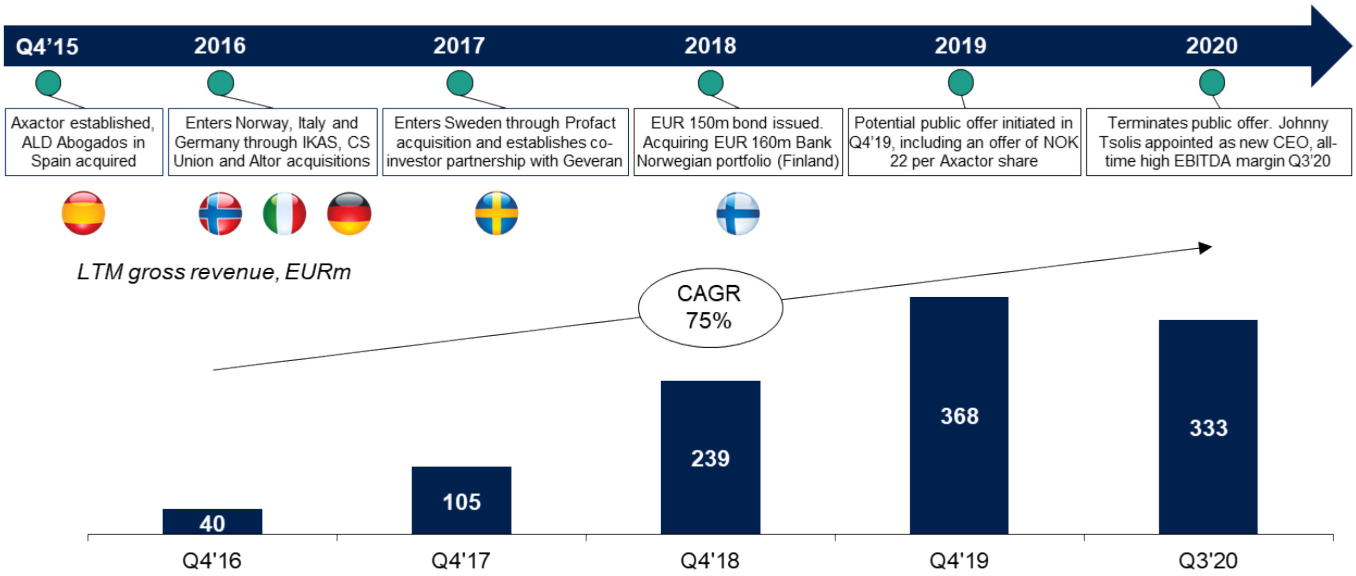
Overview of business model and segments



Source: ABG Sundal Collier, company reports. (*) adj. for revaluations on NPLs (purchased debt) to get normalised level, (**) contribution to EBITDA excl. unallocated centralised cost and adj. for REO impairments to get the normalised level.

After its inception in late 2015, Axactor expanded to become one of the 10 largest debt collectors in Europe measured in portfolio size. Hence, the company is not just a challenger, it is competing head to head vs. the largest incumbents in the industry. Measured in gross revenues (reported revenue adj. for portfolio amortisation & revaluation), the company has grown by 75% annually since year-end 2016.

From start-up to among the 10 largest debt collectors in Europe



Source: ABG Sundal Collier, company reports

Axactor's strategy from the beginning has been to enter new markets by acquiring established debt collection platforms and then rolling out the "One Axactor" operating model of standardised systems, no legacy and low complexity, combined with competitive funding and highly competent key personnel. This has fuelled growth and ensured scalability of the debt collection platform. In 2017, another important milestone was reached when a co-invest partnership was established with Geveran (investment company of John Fredriksen). Geveran has been a supportive cornerstone investor since, contributing with both capital and competence. As of Q3'20, Geveran holds 32% of the outstanding shares. In 2020, a new board was put in place with Glen Ole Rødland (experienced chairman from the Fredriksen system) taking over as chairman, while Johnny Tsolis (former CFO) took over as CEO; this marked the shift from aggressive growth to focusing on increasing return on equity and long-term shareholder value.

Entering a new phase with focus on profitability and long-term shareholder value

Source: ABG Sundal Collier, company presentation

Purchased debt – Axactor's bread & butter

A flexible, high-margin business model

Debt is normally purchased through either larger one-off investments, or forward flow agreements where volume and price terms are specified for a specific period of time. One-off investments constitute a significant amount of Axactor's existing book and ongoing investment activity is made according to liquidity, price levels and the overall outlook. Lastly, given Axactor's highly digital operating model and effective legal processes, costs are relatively moderate compared to the amount of cash that is collected. Direct opex related to collection on NPLs was ~16% vs. gross collection LTM Q3'20, which explains why ~88% of EBITDA stems from purchased debt.

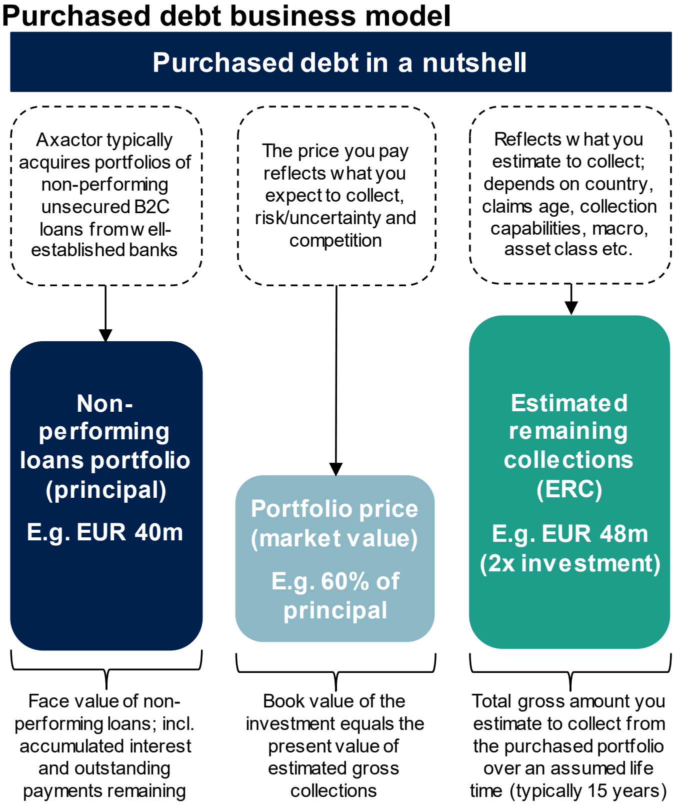
Exploiting the gap – only 24% of banks handle collection internally

Axactor's value proposition entails exploiting the capital arbitrage, sophistication and efficiency gap that exists between European banks and debt collectors. According to a Debtwire survey from March 2019, only 24% of banks handle collections internally; which is not surprising given that holding NPLs is expensive from a capitalisation perspective for banks and reduce lending capacity, it would also be hard for banks to compete on cost efficiency vs. collectors with operating models fully rigged for debt recovery.

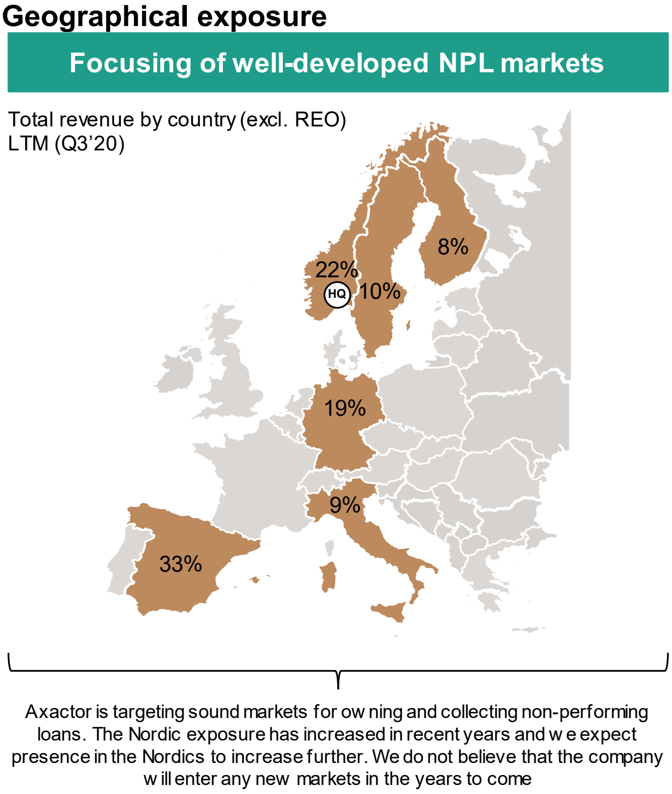
Focusing on low complexity asset classes in well-developed NPL markets

Axactor typically acquires unsecured consumer debt (e.g. credit card and personal loans) in mature NPL markets; accounting for close to all of the company's NPL portfolios. This entails less complexity and recovery risk than e.g. secured portfolios; which typically involves more use of the legal system, deciding between refinancing or liquidation, and potentially uncertainty of asset recovery value. In addition, the ticket size of unsecured claims is much smaller than the typical size for secured claims, which notably lowers cash flow volatility and timing risk. In brief, unsecured NPLs is a big numbers game where collection performance and cash flow are relatively stable and resilient over time, enabled by a relatively high degree of active payment plans and a beneficial legal environment for collection.

Purchased debt business model



Geographical exposure



Source: ABG Sundal Collier, Axactor presentation at (Nordea small cap seminar August 2020)

Third-party collection – complementary to purchased debt

Complementary, capital-light and recurring revenue

Traditional debt collection on the behalf of other companies, referred to as third-party collection (3PC) is the other core business segment of Axactor. Given that 3PC does not entail purchase and ownership of debt, just collection services, it is capital-light compared to purchase debt. Revenue from 3PC typically stems from fixed fees and commissions based on collected amounts (success fees), and are typically less cyclical than purchased debt. In addition, these services are often bundled together with forward flows. Such combined deals often entail a period of servicing (e.g. 6-12 months) before Axactor acquires the debt. This enhances access to portfolios and data, as well as creating stronger customer relationships. There are also operational synergies with the purchased debt business segment in terms of systems used and personnel.

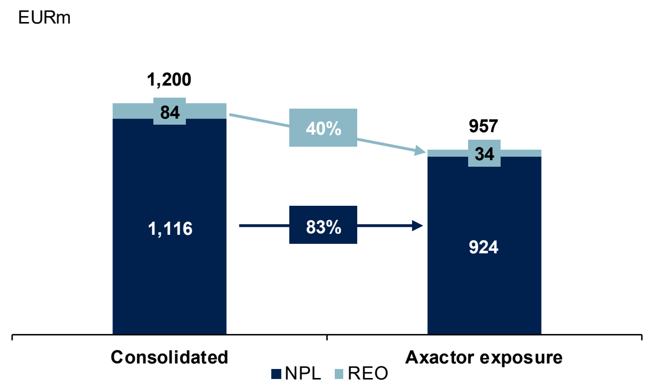
Real estate owned (REO) – non-core runoff business

Practically phased-out by 2022, 64% of all assets sold already

REOs are essentially real estate collateral purchased from banks at a discount, which Axactor seeks to sell in the market. Axactor acquired its last REO portfolio in Q3'18 and the asset class is currently in runoff. The company made its first REO investment in 2017 due to the relatively high NPL prices at the time. The rationale was to invest in an asset class with a short lifetime and then re-invest cash flow in NPLs when prices came down. However, given the adverse development in the Spanish real estate market, the initiative has not been the success the company was hoping for and the initiative was ended, which was non-core to begin with.

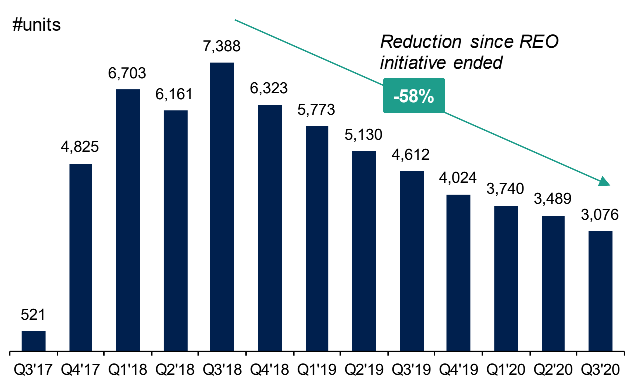
As of Q3'20, the book value of the REOs was EUR 84m vs. the NPL book value of EUR 1,115m. About 64% of all acquired REO assets have been sold as of Q3'20, while the stock of REO units has declined 58% since the initiative was ended in Q3'18. We estimate that REOs will be practically phased-out during 2022, while NPLs will grow; this will be positive for reported margins due to high amortisation on sold REOs. Given the co-investment partnership with Geveran, Axactor's exposure to the REOs is 40% of consolidated book value or EUR 34m as of Q3'20.

Total book value exposure (Q3'20)



Source: ABG Sundal Collier, Axactor

Stock of REOs – moving into the tail



Source: ABG Sundal Collier, company data

The NPL market

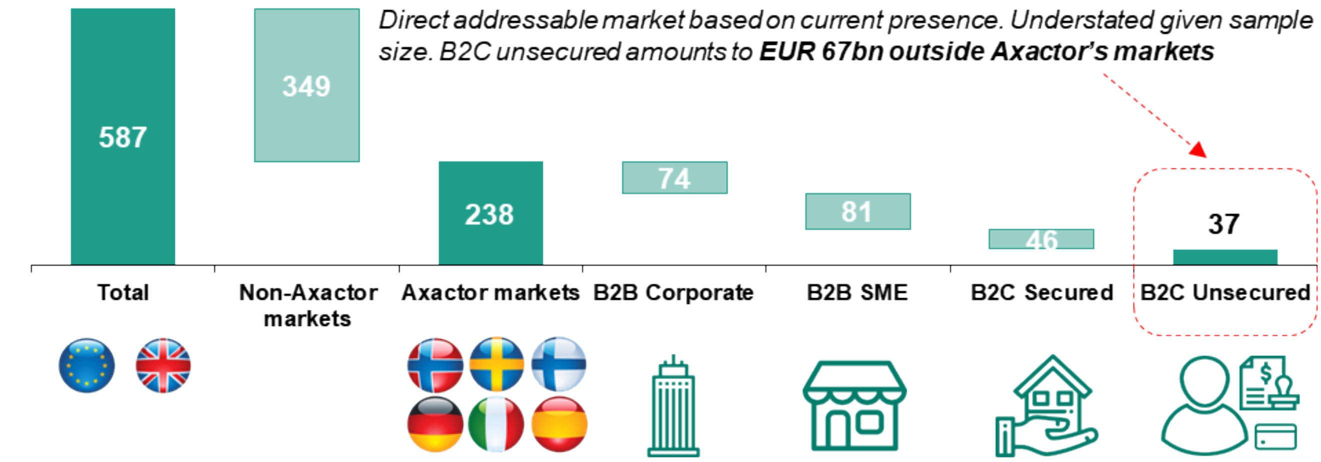
Direct addressable market for Axactor ~EUR 40bn today

Unsecured business to consumer debt

Although we expect NPL volumes to increase, which is positive for collectors, the existing market also offers more than enough opportunities to grow the NPL book. As of Q2'20, outstanding NPL volumes on the balance sheets of European banks stood at close to EUR 600bn. Of these, almost EUR 240bn relate to Axactor's current markets, while ~EUR 40bn of these are unsecured business to consumer loans; we define this as Axactor's targeted asset class. In addition, there are ~EUR 70bn outstanding B2C unsecured amounts outside Axactor's main markets. Lastly, it is worth noting that the data outlined in the chart below are based on a sample size of 182 European banks, hence, the total addressable market is likely meaningfully larger.

Direct addressable market for Axactor – outstanding NPLs in Europe

EURbn, Q2'20

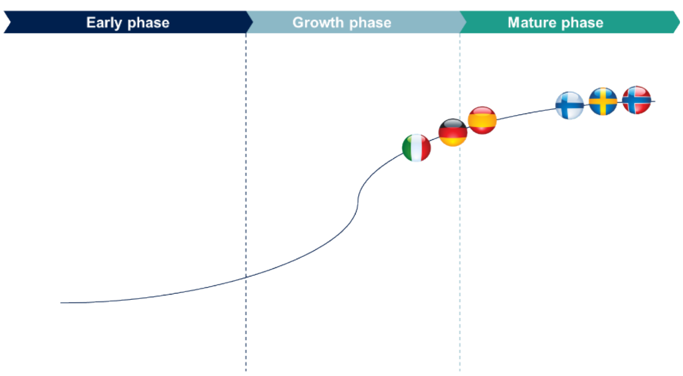


Source: ABG Sundal Collier, European Banking Authority Risk Dashboard (sample of 182 European banks)

Axactor is present in (and seeks to grow in) well-developed markets

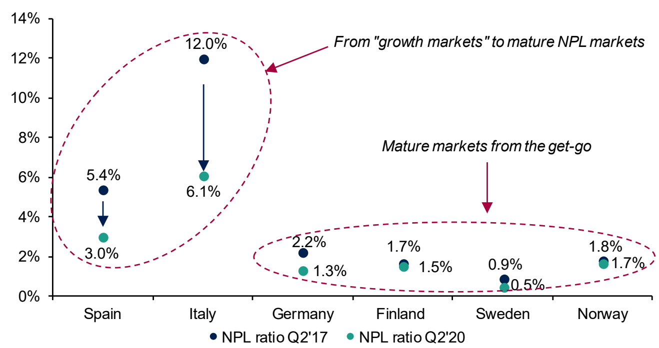
In addition to offering significant investment opportunities, the markets are well developed and the legal environment is beneficial for collection. Axactor's main markets are defined as either well developed or mature. This entails that sale of NPLs has become an integral part of the financial ecosystem, that deal activity is high and that NPL ratios have come down significantly. We view this as a clear positive, as both complexity and pricing uncertainty is significantly lower than in early phase or high growth markets.

Axactor's markets on the development curve



Source: ABG Sundal Collier, Hoist Finance, B2Holding

NPL ratio the last 3 years in Axactor's markets



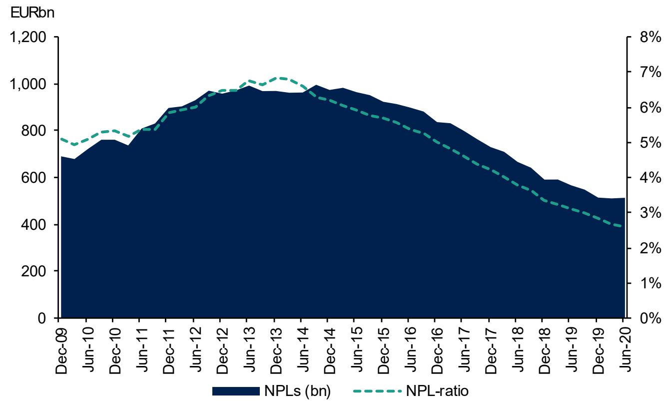
Source: ABG Sundal Collier, European Banking Authority

COVID-19 and regulation to boost NPL supply further

Deleveraging slowing down in Europe due to fewer transactions

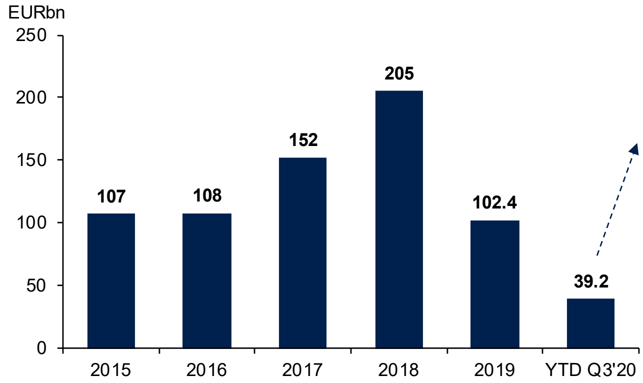
In the next chapter, we show that the debt collection industry is highly levered and investment capacity has diminished following a period of high investment levels. Investment levels were particularly high in 2017-2018, before falling dramatically in 2019. This has continued into 2020, with acquisition volume amounting to only EUR 39bn YTD as of Q3'20, slowed significantly down due to uncertainty following COVID-19. This has led to increased accumulation of NPLs and further downward pressure on NPL prices. We expect acquisition volumes to pick up materially in 2021, but not back to pre-COVID-19 levels due to industry leverage levels.

Non-performing loans development – EU



Source: ABG Sundal Collier, European Banking Authority

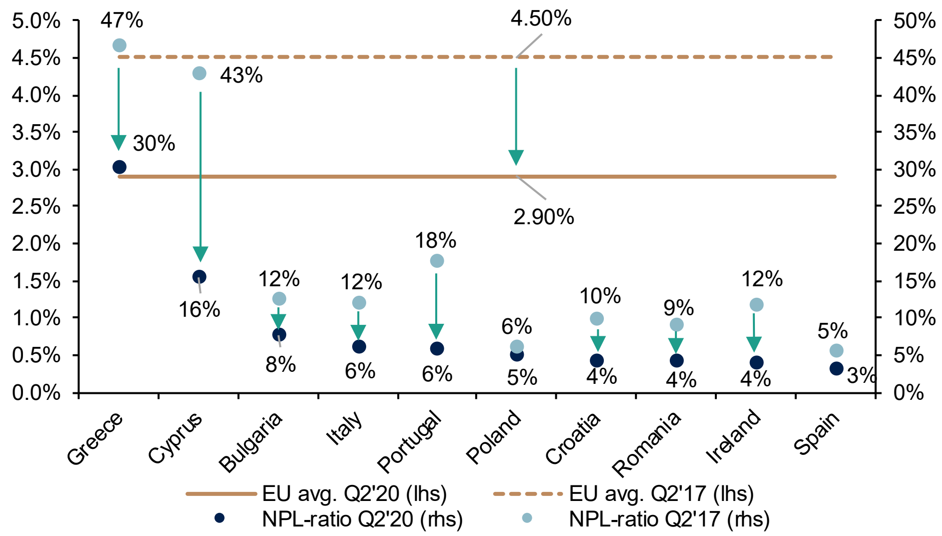
Acquisition volumes (face value acquired)



Source: ABG Sundal Collier, Deloitte, Debtwire

The NPL ratio in the EU has come down by 1.6pp the last three years and we note that the worst-in-class countries have deleveraged significantly. Still, as apparent from the chart below, there is much work to be done, especially in Southern Europe.

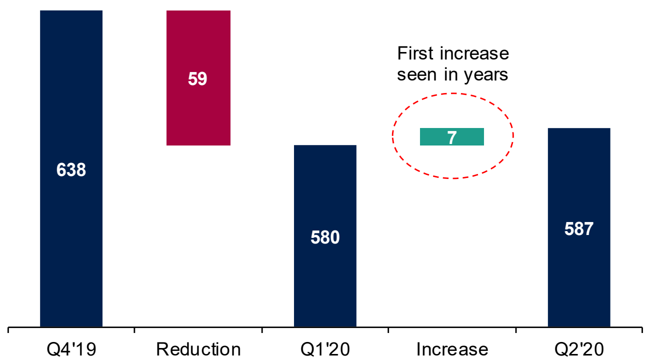
NPL ratio development last 3 years top 10 markets (by NPL ratio)



Source: ABG Sundal Collier, company data

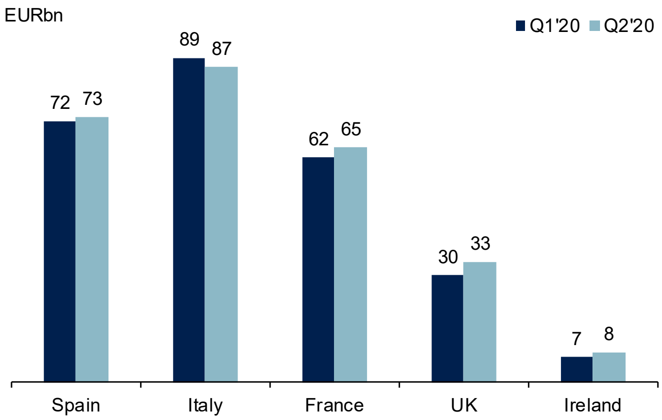
NPL backstop likely a double whammy combined with the COVID-19 impact
In addition to fewer transactions in 2019 and YTD 2020, the COVID-19 pandemic has also started to manifest itself in banks' balance sheets. According to data from the European Banking Authority (EBA), the NPL stock in Europe actually increased q-o-q in Q2'20, for the first time since 2014 (according to our knowledge). This is also in line with research from Debtwire, which shows that the NPL volume among top banks in Europe increased significantly q-o-q. With temporary unemployment schemes in Europe possibly coming to an end over the coming six months, this should further increase the NPL stock among European banks as deal activity remains low. Although it is highly uncertain how big the impact of COVID-19 will be, it is worth noting that one Nordic peer (B2Holding) has estimated that post-COVID-19 NPL volumes could rise as much as 2-3x to close to EUR 1.2 trillion in the EU.

First net increase in European NPLs in years



Source: ABG Sundal Collier, European Banking Authority

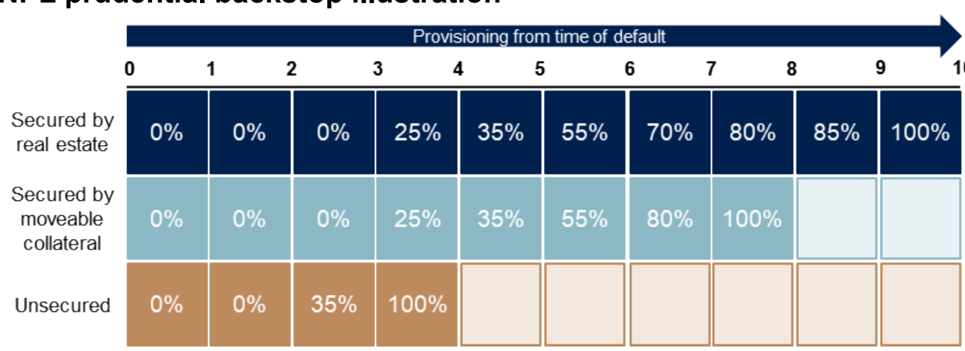
Overall NPL increase in top European banks



Source: Debtwire

On top of the lower investment activity in 2019-20 and the expected impact of COVID-19, we expect that the NPL backstop implemented in April 2019 will lead to increased supply. Essentially serving as a double whammy. In brief, the NPL backstop stipulates that NPLs stemming from loans originated after April 2019 must be written down in accordance to the table below. That is, unsecured NPLs must be fully written down after three years, while NPLs secured by real estate must be fully written down after nine years. This will potentially be very costly from a capitalisation perspective for banks, which is the intent of the ECB, while it seeks to prevent accumulation of bad loans as we saw in the wake of the financial crisis. Hence, we will likely see a surge of fresh NPLs coming to the market in the coming years.

NPL prudential backstop illustration



Source: European Council

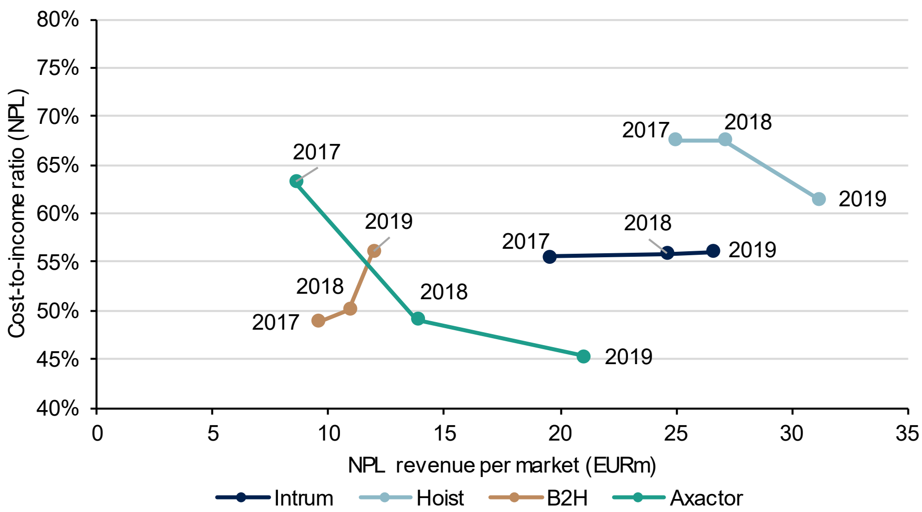
Competitive position

Bigger does not necessarily scale better

Platform is a more important determinant of economies of scale than size

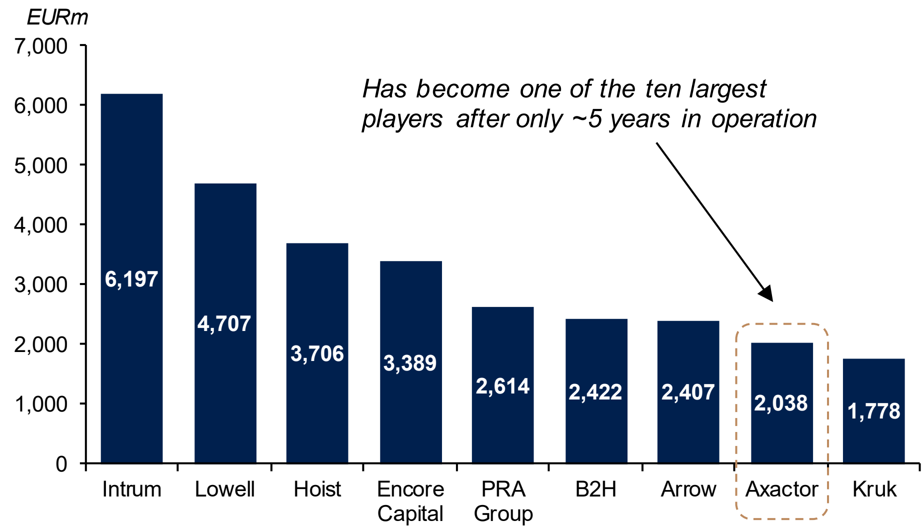
After roughly five years in operation, Axactor has grown from a small challenger to one of the 10 largest players in the European debt collection industry. Size-wise, Intrum is by far the largest player in the European market measured in ERC, but we note that this has not given Intrum a better cost efficiency within the NPL segment. Axactor has by far the lowest cost-to-income ratio (C/I) among its Nordic peers B2Holding, Hoist and Intrum; implying that the platform is more important than size.

NPL cost-to-income vs. revenue per market



Source: ABG Sundal Collier, company reports

European debt collectors by NPL ERC (Europe) – 2019



Source: ABG Sundal Collier, company reports

Axactor stands out on scalability of NPL platform – lower legacy & complexity

In the first chart above, we show C/I in the NPL segment for Axactor and its Nordic peers relative to size (measured as NPL revenue per market). Axactor has moved down the cost-curve as revenue has increased and it has the lowest cost-to-income in this segment. The picture is mixed for the others, but they are roughly +20pp above Axactor on cost-to-income in general. We believe that this indicates that

Axactor's platform scales better than those of its peers do, most likely due to a much lower degree of legacy, operational complexity and less post-merger integration mess. In addition, it is important to remember that given Axactor's young age, its costs to some extent still reflect start-up costs such as IT investments and historical initiatives, while NPL performance is still catching up with peers. Hence, we expect to see further C/I improvement and strengthening of the cost position going forward.

The C/I vs. size exercise above is the result of several adjustments that we have made, as just looking at reported segment info from company reports will not give an "apples-to-apples" comparison. By adjusting for company specifics, e.g. earnings from JVs, goodwill impairments, revaluations and interest expense included in revenue (in Hoist Finance's case), and fully allocating centralised costs and D&A according to direct opex contribution for each reporting segment, we are able to compare cost-to-income (C/I) for the NPL segment on an apples-to-apples basis.

Axactor has come a long way since inception

Strong growth since inception and an increasingly attractive business mix

Axactor has experienced strong revenue growth since inception in late 2015. In the period 2017 to 2019, the company realised annual revenue growth of 78% and revenues have actually caught up with three of its more mature competitors. Based on reported LTM figures as of Q3'20, 55% of Axactor's revenues stems from acquired NPLs, 23% stems from 3PC, while 22% stems from REO sales (Real Estate Owned). We find that Axactor's business mix entails several benefits: revenue synergies through bundling forward flows and 3PC, less need for capital, better access to portfolios & credit data and recurring revenues.

Industry snapshot as of 2019

Company	Years in business	NPL book (EURm)	Revenue (EURm)	Rev. CAGR 2017-19	Business mix (%) NPL	3PC	Other
AXACTOR	5	1,042	285	78%	47	21	32
B2HOLDING	9	1,365	292	17%	80	10	9
ARROW GLOBAL	15	1,376	402	3%	72	28	
KRUK	22	1,037	296	9%	91	4	5
PRA Group	26	3,135	907	11%	98	2	
Hoist Finance	26	2,121	290	13%	97	3	
Lowell	28	1,963	883	20%	70	23	8
encore CAPITAL GROUP	67	2,929	1,254	11%	90	9	
intrum	122	2,543	1,524	30%	41	59	

Axactor LTM Q3'20	NPL	3PC	Other
	55	23	22

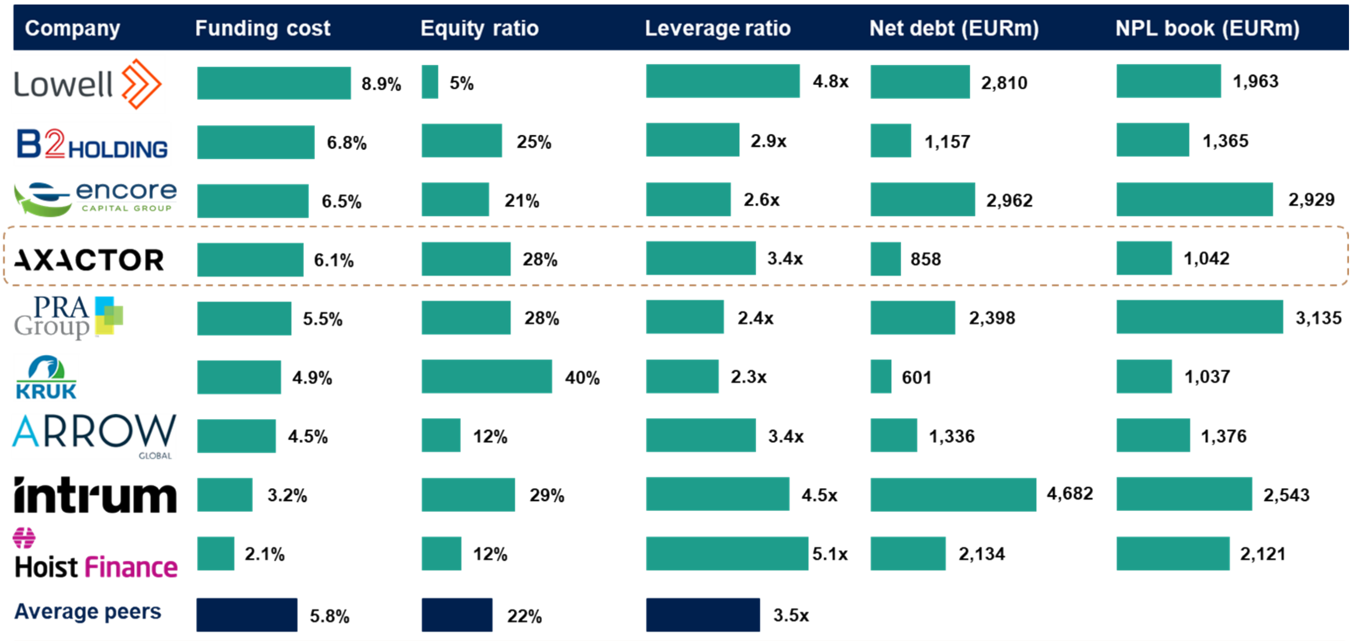
Source: ABG Sundal Collier, company reports. "Years in business" as of Nov. 2020, "Other" segment Axactor is REO (Real Estate Owned)

A levered industry – Axactor is competitive on funding cost

Axactor has a decent funding cost given its short history vs. peers

Axactor is in the middle of the field on funding cost, with a calculated funding cost of 6.1% vs. peers at 5.8% (peers excl. Axactor and Hoist, Hoist excluded as it funds itself as a bank). We argue that that the company's funding cost is decent with only about five years since establishment, especially compared to companies like Encore and B2Holding, which both have a longer history and larger size. We believe that Axactor could be able to lower its funding cost in the years to come, to a level well below the industry average, driven by refinancing & deleveraging. This is not reflected in our estimates, indicating potential upside risk to estimates.

Funding cost and leverage snapshot of debt collectors – 2019



Source: ABG Sundal Collier, company reports (2019 annual reports). Leverage ratio = NIBD/Cash EBITDA

An industry set to deleverage, Axactor in the middle of the field vs. peers

Following high investment levels particularly in 2017 and 2018, the industry has become more leveraged as a whole and investment capacity has come down. Again, Axactor finds itself in the middle of the field leverage-wise compared to peers; its equity ratio of 28% is above the industry average of 22% (excl. Axactor), while leverage ratio is in line with industry average of 3.5x. Investment levels in 2020 have naturally been much lower vs. historical levels due to COVID-19, but this should increase again in 2021, but not to the levels seen prior to 2019; this would require equity injection across the board for the industry.

Size, business mix and funding model explains some of the variation

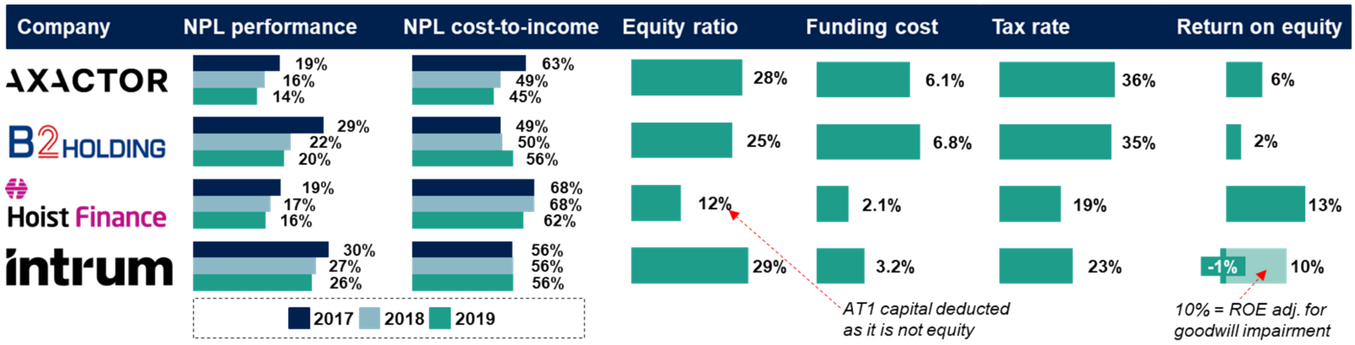
As apparent from the chart above, there are significant differences among the peers. Axactor has a short history and is the second-smallest company outlined in the chart above. Hoist Finance funds itself as a bank through deposits; hence the calculated funding cost does not capture the cost of binding equity (regulatory capital requirements), nor the opex and marketing costs associated with deposits – the "real" funding cost for Hoist is likely much higher. Intrum's funding cost is likely explained by its more than 100-year long history, size and business mix; which entails an overweight of capital-light and recurring servicing revenues.

ROE analysis – Axactor vs. Nordic peers and potential uplift

The five key drivers of ROE indicate significant potential for Axactor

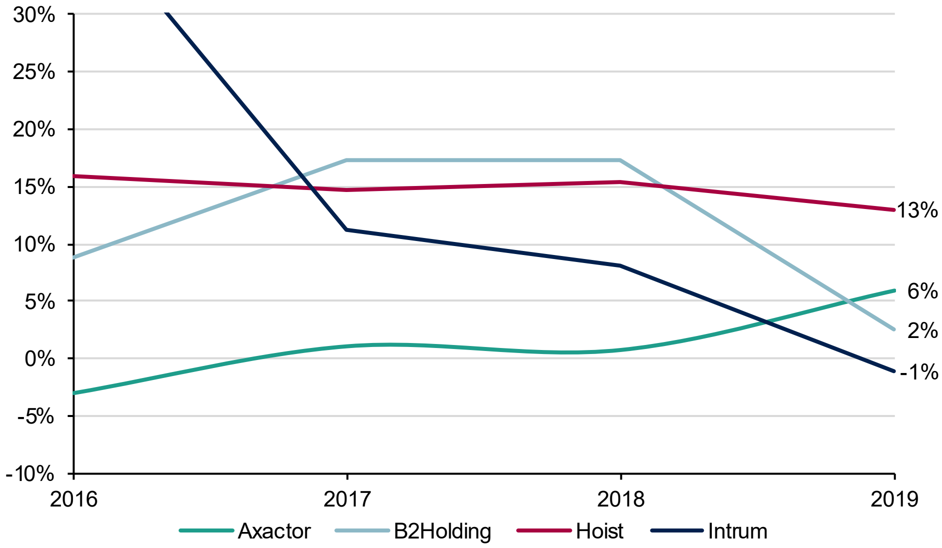
Axactor has the best C/I ratio in the NPL segment among Nordic peers, yet, it still has a relatively low ROE compared to Hoist and Intrum (adj. goodwill impairment), see chart on the next page. This is a reflection of a higher tax rate (largely a reflection of its young age), funding cost and the weaker NPL performance vs. Nordic peers. The latter is partly a reflection of when Axactor started to acquire portfolios and rapid growth in the NPL book (high investments increase the book, while collections lag investments). In addition, Axactor does not have a large book of older high IRR vintages that blend in with the 2017-2018 vintages with lower IRRs. We expect that NPL performance will increase gradually in the coming years as Axactor grows and new high IRR portfolios are blended in.

Main drivers of ROE



Source: ABG Sundal Collier, company reports. ***NPL performance = (NPL revenue – revaluations) / avg. NPL portfolio book value***

ROE development for Nordic debt collectors



Source: ABG Sundal Collier, company reports

Declining ROE for Nordic peers while Axactor moves in the right direction
We note that ROE has decreased for Axactor's Nordic peers, while Axactor has moved in the right direction (from a low base). This development is most likely explained by a declining portfolio performance following increased NPL market prices up until 2018. In the coming years (at least after 2020), the development should be flipped due to lower market prices for NPLs and operational improvements across the board; which should also benefit Axactor.

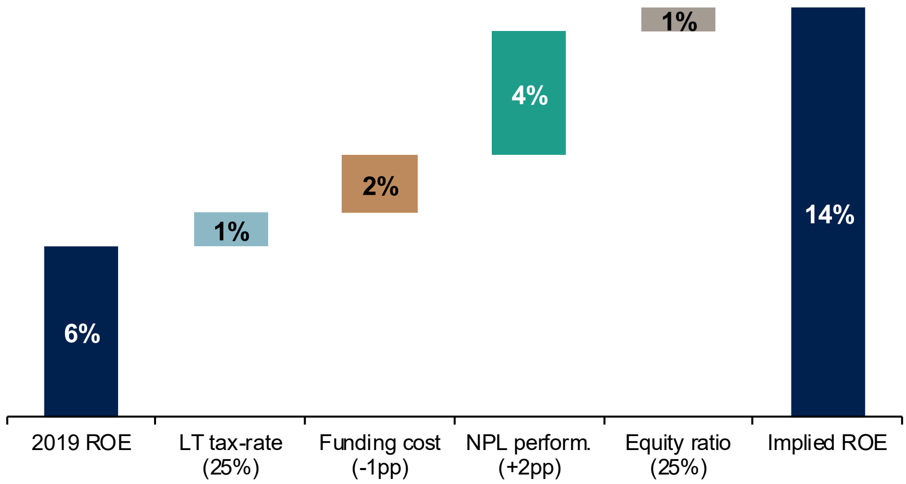
Short-term uplift potential could more than double ROE from 2019 level
As mentioned earlier, Axactor has a high tax rate and a funding cost which is somewhat higher than for its peers. The tax rate is expected to gradually decline over time, as it is largely a reflection of its young age and should decline with earnings growth. The company targets a long-term tax rate of 25%; which reflects the markets it operates in. Hence, this gap to peers should close going forward.

Moreover, we find it highly likely that the company also will lower its funding cost in the coming years. Axactor will be, and currently is, in a completely different state than what it was when the RCF terms and bond terms were determined a few years ago. For example, by lowering the RCF interest rate by 100bp (similar terms for other companies) would alone lower funding cost by 50-60bp according to our estimates. In addition, repayment of expensive debt and refinancing of the outstanding EUR 200m bond could lower funding cost further.

Overall, we find that there could be a realistic but conservative ~100bp funding cost improvement over the next two years.

In the chart below, we show the potential ROE uplift based on 2019 figures from lowered funding cost, tax rate, equity ratio and increased portfolio performance. Based on NPL price developments and Axactor's current book, we estimate that NPL performance (NPL revenue – revaluation / avg. NPL book value) will increase from ~14% in 2019 to ~16% by 2021. Lastly, optimizing the long-term equity ratio to ~25% could also add 1pp. Thus, we calculate a potential ROE uplift of ~8pp based on 2019 figures. Long term, we think this level is conservative, as funding, opex and NPL performance likely will improve further.

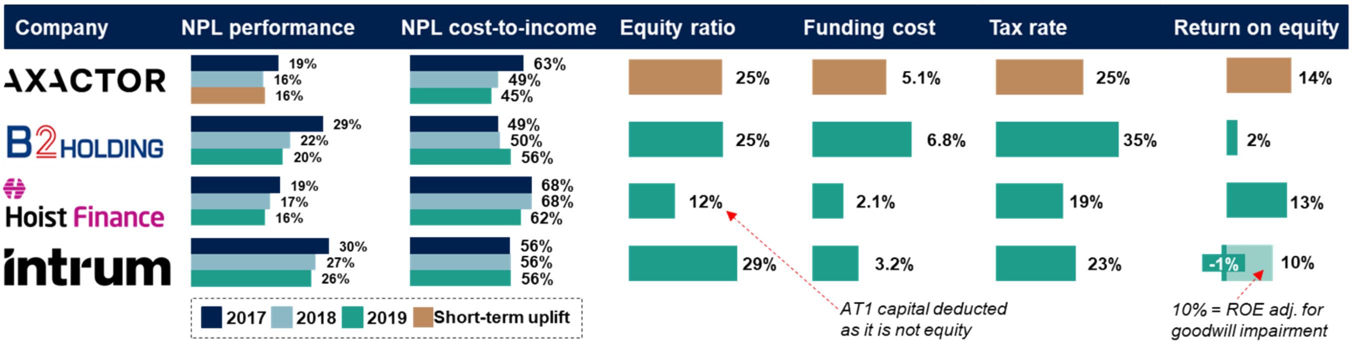
Short-term ROE uplift potential based on 2019 figures



Source: ABG Sundal Collier, company reports

Short-term ROE uplift could imply ROE leadership vs. Nordic peers
Based on 2019 figures and identified short-term uplift potential for ROE, we calculate that Axactor potentially can achieve ROE leadership vs. its Nordic peers. Moreover, it is worth noting that funding cost, opex and NPL performance likely can improve more than what we have assumed short term. In addition, a runoff within REOs and growth within 3PC (positive for ROE given lower REO amortisation and less need for capital), will come on top of the calculated uplift potential. Over time, this could enable Axactor to acquire portfolios at a higher implied ROE contribution than its Nordic peers.

Short-term uplift indicates potential for ROE leadership



Source: ABG Sundal Collier, company reports. ***NPL performance = (NPL revenue – revaluations) / avg. NPL portfolio book value***

Purchased debt – for beginners

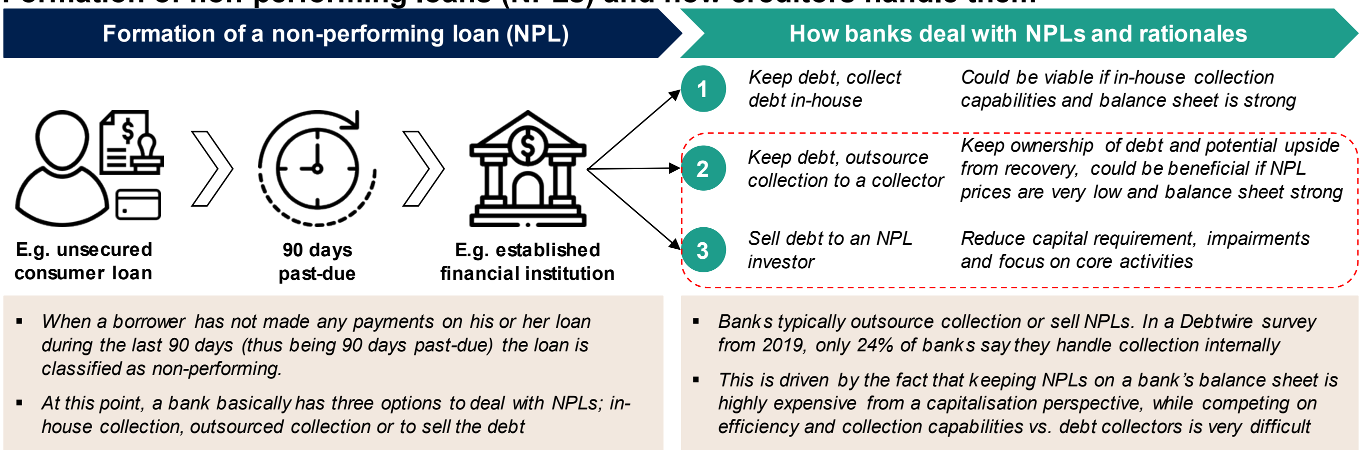
In this chapter we seek to "peel the onion" and showcase how the business model of purchase debt in a nutshell works; how NPLs are formed, how banks deal with these, how collectors acquire portfolios and recover debt, type of debt, as well as the most important accounting mechanics. Acquiring NPLs is the bread & butter of Axactor, and it is vital that investors know the basics in order to form an informed opinion about the company and the business model.

Illustration of purchased debt business model

From non-performing loan (NPL) to estimated remaining collections (ERC)

In the chart below, we show how NPLs are formed and how banks typically choose to deal with these. In brief, banks usually outsource collection or sell debt portfolios due to capital considerations, capabilities and costs. In essence, collectors exploit the sophistication & efficiency gap that exists between fully focused debt collectors and banks, as they can do it better and cheaper. Moreover, the capital arbitrage that exists is a key enabler for acquiring NPLs. For European banks, keeping NPLs on the balance sheet requires additional capital (increases risk-weighted assets, or the deduction on capital), while there for the most part are no meaningful capital requirements for debt collectors when holding NPLs.

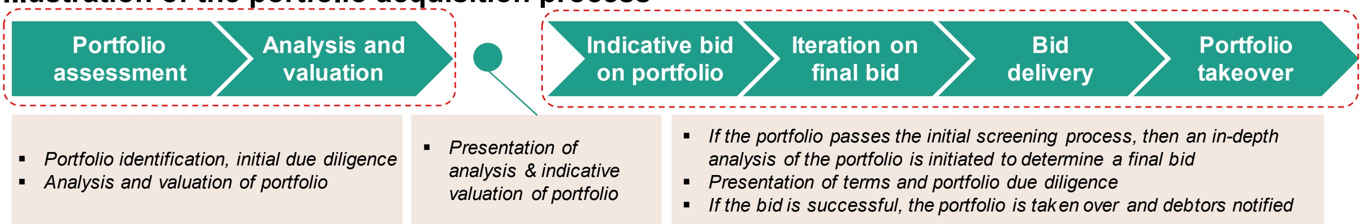
Formation of non-performing loans (NPLs) and how creditors handle them



Source: ABG Sundal Collier, Debtwire, European Banking Authority

As shown above, banks usually involve debt collectors when a loan has become non-performing, either through servicing or by selling the debt. In the flowchart below, we illustrate the typical NPL acquisition process for a debt collector:

Illustration of the portfolio acquisition process

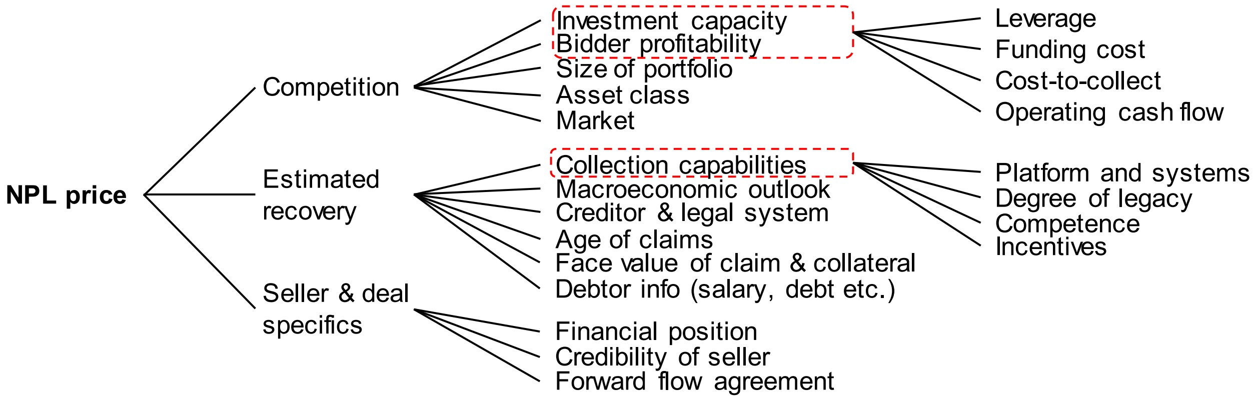


Source: ABG Sundal Collier

The acquisition process is iterative and step-wise; from initial assessment and screening, to in-depth valuation, due diligence and final bid delivery. This process essentially represents the underwriting process and it entails several checks and balances in order to avoid sub-par investments. Purchase debt is all about what one pays for and the debt collector's collection capabilities; naturally, the price paid will be a reflection all these factors.

The price a debt collector pays for an NPL portfolio, reflects the estimated recovery value, i.e. how much cash it expects to collect. The estimated recovery is again a function of macroeconomic outlook, creditor protection & legal system, age of the claims, assets class and also collection capabilities. At the same time, competition from other NPL investors (debt collectors, private equity & specialised funds) and overall uncertainty, also affect the market price of an NPL portfolio.

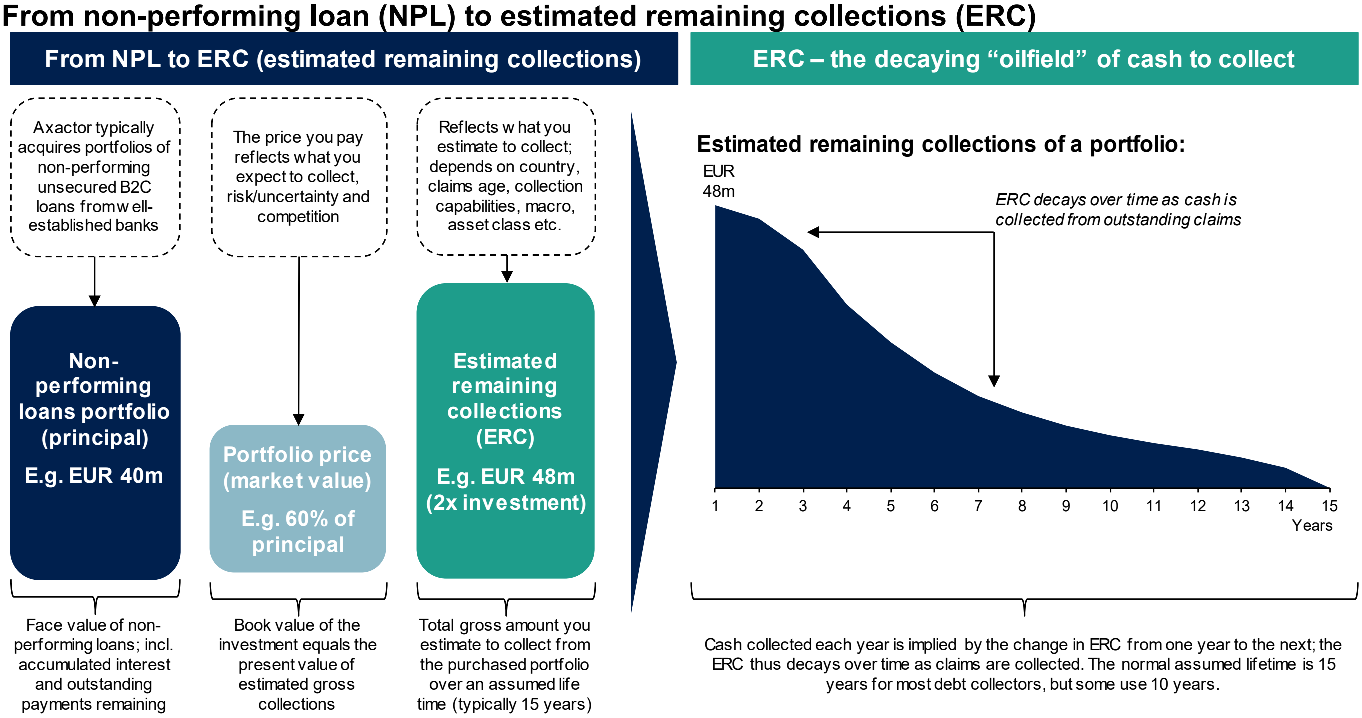
Price determinants of a non-performing loan (NPL)



Source: ABG Sundal Collier

Estimated recovery from the portfolio (what one actually pays for) is probably the most important determinant of the price an NPL investor would be willing to pay. Estimated recovery is usually referred to as “Estimated Remaining Collections” or ERC, which is a typical industry term. The ERC, shows the gross amount a collector estimates to recover over the portfolio’s lifetime. Debt collectors usually apply a 15-year lifetime to a portfolio as part of the underwriting process. One could think of the ERC as an oilfield where reserves decay over time as oil is extracted.

From non-performing loan (NPL) to estimated remaining collections (ERC)

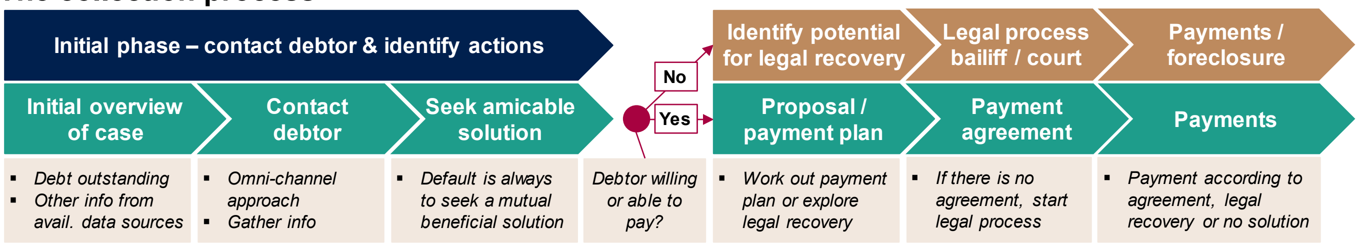


Source: ABG Sundal Collier

How purchased debt is collected

Above we have shown how non-performing loans are formed, what creditors (typically banks) do with these, the typical acquisition process for NPL investors and price determinants for NPL portfolios. In the chart below, we illustrate the collection process after the debt is purchased.

The collection process



Source: ABG Sundal Collier, Axactor

In general, the collection process has two potential trajectories: (1) the amicable or mutual payment agreement and (2) the legal recovery through bailiffs and courts. Ultimately, a legal process could result in foreclosure where the collector size and liquidate collateral to recover debt. There is also a chance that the debtor is actually unable to pay, in which recovery will be delayed until conditions improve or the case is closed. Note that an amicable solution where the creditor and debtor agree on a payment plan to settle the debt, is the base case and preferred trajectory.

NPL types (asset classes) – differences and practical implications

In the table below, we show a brief overview and description of the most common NPL types within purchased debt (asset classes). We also discuss some of the differences between the asset classes and practical implications.

NPL types and fit with Axactor's current business

Asset classes	Description	Fit with Axactor
Business to consumer (B2C) Unsecured debt	Unsecured consumer loans, credit cards, leasing, residual mortgages	▪ Axactor's bread & butter since inception ▪ Addressable market is large and well-functioning ▪ Low complexity, medium ticket size, low volatility and easier to price
Business to consumer (B2C) Secured debt	Loans secured by collateral; e.g. mortgages, car loans etc.	▪ Usually significantly larger ticket size than unsecured B2C claims ▪ Higher complexity, cash flow volatility, more difficult to price ▪ Not for sale in the Nordics and usually core competence of banks
Business to business (B2B) SME	Small business loans	▪ Out of scope unless a private person has guaranteed for the loan ▪ High complexity in terms of collection and pricing ▪ Better fit for banks and specialised funds
Business to business (B2B) Corporates	Corporate debt, bank loans, term loans and credit facilities	▪ Very large ticket sizes, too big and out of scope for Axactor ▪ Better fit with a bank's core competencies and for specialised funds ▪ More of a restructuring game

Source: ABG Sundal Collier

Unsecured B2C (Axactor's bread & butter) is a "big-numbers game" with small to medium ticket sizes (typically EUR 1,000 to EUR 10,000) usually from personal loans, credit card debt, leasing, residual mortgages etc. Complexity in collection and pricing is low compared to other asset classes; cash flow is relatively stable and resilient over time, enabled by payment plans and a beneficial legal environment for collection.

Collection and pricing of secured B2C is more complex in the sense that secured B2C often involves more use of the legal system, liquidation and refinancing. Ticket sizes are usually significantly larger than for unsecured B2C claims as well, which in sum leads to higher cash flow volatility and timing risk. This asset class is popular among private equity and specialised investment funds.

Although some traditional debt purchasers acquire SME portfolios, this is typically not a focus area for debt collectors. For Axactor's part, this is an asset class which is out of scope unless a private person has guaranteed for the loan. B2B for larger corporates is usually out of scope for all traditional debt collectors; this is more of a restructuring business suitable for banks and private equity, while ticket sizes can by very large (e.g. EUR 200m outstanding bank loans).

The accounting mechanics of purchased debt

In the examples below, we look at a hypothetical unsecured NPL portfolio acquired at a gross money multiple of 2x; reflecting that gross collections are estimated to amount to twice the size of the investment. We also apply an assumed collection distribution which reflects a normal collection situation. The distribution shows how much of the ERC we estimate to collect in a given year. Collection curves can vary significantly. The example below shows a portfolio with a paying book from day one (just for illustration); often new portfolios collect less in year 1 vs. year 2, as debtor contact and payment plans need to be established.

Income recognition – the effective interest method

Under IFRS, income from collections on acquired debt portfolios is recognised according to the effective interest method (see table with calculation below). The acquired portfolios are recognised at amortised cost in the balance sheet (NPV of future collection). To obtain IFRS revenue for a given period, the starting book value is multiplied by the IRR (also called interest income or yield).

Income recognition of acquired NPL portfolio

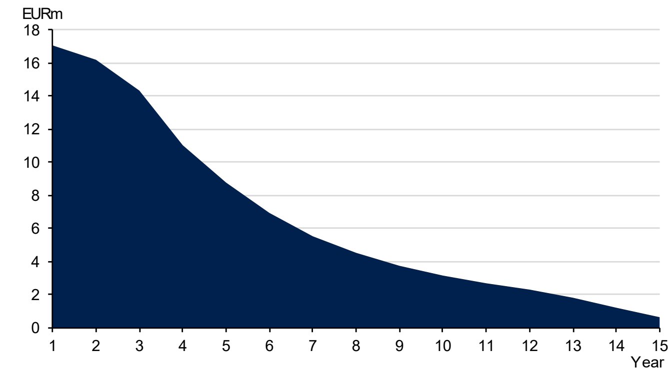
Investment (EURm)	50	Equals the starting book value
Money multiple (gross)	2x	Implied by ERC and investment
ERC (EURm)	100	Estimated gross recovery value

Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
Collection distribution		17%	16%	14%	11%	9%	7%	6%	5%	4%	3%	3%	2%	2%	1%	1%
Collection yearly (EURm)		17	16	14	11	9	7	6	5	4	3	3	2	2	1	1
Accumulated collection		**17**	**33**	**48**	**59**	**67**	**74**	**80**	**84**	**88**	**91**	**94**	**96**	**98**	**99**	**100**
Cash flow yearly (EURm)	-50	17	16	14	11	9	7	6	5	4	3	3	2	2	1	1
Gross IRR	20%	Implied by cash flow														
(I) Book values (EURm)	50	43	35	28	22	18	14	12	9	7	6	4	3	1	1	0
(II) Amortisation (EURm)		-7	-8	-7	-6	-4	-3	-3	-2	-2	-2	-2	-1	-1	-1	-1
(III) **Interest income (EURm)**		**10**	**8**	**7**	**5**	**4**	**4**	**3**	**2**	**2**	**1**	**1**	**1**	**1**	**0**	**0**

(I) Book value of portfolio = NPV of remaining future collections (IRR as discount rate)
(II) Amortisation equals the reduction in NPV from one period to the next
(III) Interest income = IRR x book value (t-1)

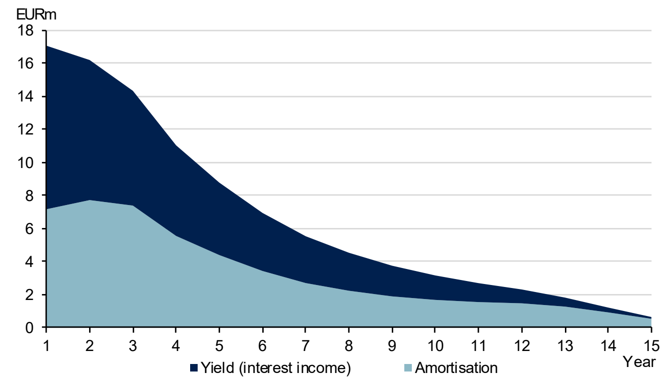
Source: ABG Sundal Collier

Gross collections per year



Source: ABG Sundal Collier

Interest income and amortization per year



Source: ABG Sundal Collier

Revaluations – why they are made and how

Revaluations are made either because actual collection differ from projections or because the outlook for collection has materially changed; on an overall portfolio basis, this could be due to an economic downturn, while on a more individual basis it could be the result of a debtor becoming employed/laid off, inheriting money etc.

There are two types of deviation: (1) temporary deviation in cash flow, and (2) permanent deviation. This can of course be in positive terms and in negative terms. If deviation is deemed to be temporary, the amortisation difference is included in the revenue line and there is no change to the portfolio book value. If permanent, the company will estimate a new cash flow profile. The difference in NPV between the revised and the original profile will be included in the revenue line in the period when the revision is performed.

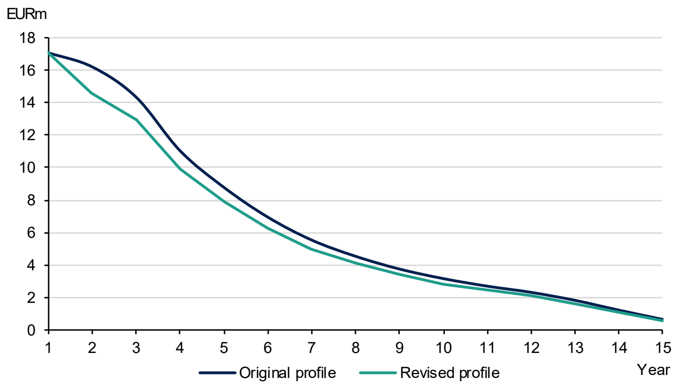
In the table below, we show the revaluation effect resulting from assuming a 10% permanent reduction in collection for each year of the portfolio's lifetime at the end of year 1. Note that the IRR does not change, but the book value and thus interest income do. The revaluation is also included in the P&L, reducing reported revenue.

Revaluation example – 10% permanent reduction in future collection end of year 1

Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
10% reduction in collection			-1.6	-1.4	-1.1	-0.9	-0.7	-0.6	-0.5	-0.4	-0.3	-0.3	-0.2	-0.2	-0.1	-0.1
Revised collection forecast		17	15	13	10	8	6	5	4	3	3	2	2	2	1	1
Gross IRR	20%															
Old book value	43 End of year 1															
New book value	39 New NPV of future collection end of year 1 (using initial IRR)															
Revaluation	**-4 Assuming permanent deviation (reduces book value of portfolio and revenue in period)**															
Book values (EURm)	50	39	32	25	20	16	13	10	8	7	5	4	2	1	0	0
Amortisation (EURm)		-7	-7	-7	-5	-4	-3	-2	-2	-2	-2	-1	-1	-1	-1	0
Revaluation		-4														
Interest income (EURm)		**10**	**8**	**6**	**5**	**4**	**3**	**3**	**2**	**2**	**1**	**1**	**1**	**0**	**0**	**0**
Net revenue (EURm)		**6**	**8**	**6**	**5**	**4**	**3**	**3**	**2**	**2**	**1**	**1**	**1**	**0**	**0**	**0**

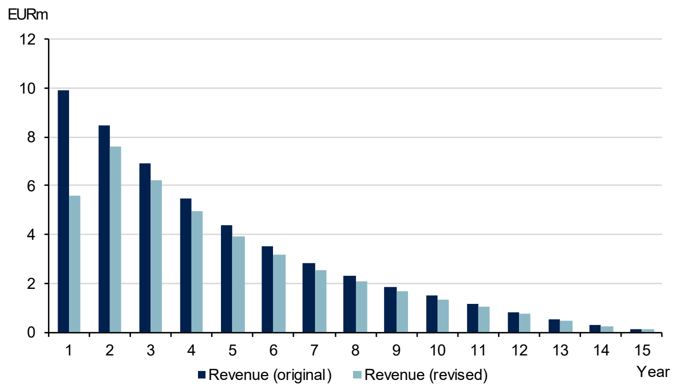
Source: ABG Sundal Collier

Change in yearly collection profile



Source: ABG Sundal Collier

Change in reported revenue



Source: ABG Sundal Collier

Revaluations are an inherent part of the business model

Revaluations are housekeeping procedures for a debt collector, made on quarterly basis and sometimes monthly. This is done so that the book value of the portfolio in the balance sheet at all times reflects a fair assessment of the portfolio's value (NPV of expected cash flow) and for recognised revenue to give a fair picture. Naturally, these are forward-looking exercises and entail a degree of uncertainty, which is similar to the expected loss model (ECL model) that banks apply under IFRS 9.

Some view revaluations as a sign of lack of control or poor pricing, but we argue that this is inaccurate. The business model entails elements of both underwriting and asset management, which means that frequent and regular assessments of the portfolio value are essential and required. Serious industry participants have strict performance metrics on collection. For example, if collection performance over the last six months deviates +/- 5% vs. Axactor's active forecast, the company must together with its auditor make a thorough assessment of the portfolio and make adjustments accordingly. This comes on top of the quarterly housekeeping assessments.

Debt collection – why it's important

A well-functioning economy requires that people actually pay their bills

Debt collectors are certainly not among the most popular companies out there, but without them, we argue that the economy would be much worse off, inequality would increase and living standards would be lower. To illustrate the importance of the industry, we list below some potential consequences of not having a well-functioning debt collection industry:

1) The accumulation of NPLs on banks' balance sheets would most likely lead to a much lower lending capacity for banks due to capital requirements. This would again lead to a slowdown in economic growth in Europe, which is one of the ECB's main arguments for introducing the NPL backstop (see NPL market chapter).

2) If there was limited recovery or collection work on NPLs, loan losses would increase dramatically and so would interest rates (to offset losses and account for increased credit risk), making it increasingly difficult to borrow. This goes for all types of loans.

3) Debt collection concerns more than just collection on personal loans, credit cards, mortgages and car loans, it also concerns phone bills, utilities and other outstanding bills. Getting paid for the services one delivers is an essential part of a well-functioning economy, something we believe that most people would agree on.

Estimates

Estimated P&L and key figures 2020-2022

EBITDA margin expansion from 32% in 2019 to 39% by 2021 and 44% by 2022

We estimate that Axactor will deliver solid EBITDA margin expansion in the coming years as its gross revenue grows and reported revenue follows suit (but muted by increased portfolio amortisation, non-cash effect). The scalability of Axactor's NPL platform is revealing itself (as shown earlier in this report), while cost initiatives made in 2020 and a declining REO book will help to boost reported margins further. In summary, this should lead to a significant earnings increase in the years to come as scale increases.

Lastly, given the relatively low estimated investment levels (see table below), the high cash EBITDA margin delivered in 2019 and the development in the NPL market in the last year, we believe that the estimates shown below may be subject to significant potential upside risk. Furthermore, we have not assumed lower funding costs in our estimates, or materially lower NPL prices on new investments made, all of which would have a significant and positive effect on reported earnings.

Profit and loss statement

P&L Statement (EUR'000)	2017	2018	2019	2020e	2021e	2022e
Gross collection	60,814	186,844	308,395	276,519	336,538	365,007
Portfolio amortisation & revaluation	-14,948	-31,908	-82,934	-113,341	-127,269	-147,622
Net revenue (NPLs + REOs)	**45,866**	**154,936**	**225,461**	**163,178**	**209,269**	**217,385**
Third-party collection	43,919	51,973	59,697	47,001	56,625	62,854
NPL revaluations	0	9,738	-318	-37,529	0	0
Total net revenue	**89,785**	**206,909**	**285,158**	**210,179**	**265,894**	**280,239**
Reported gross revenues	104,733	238,817	368,092	324,144	393,163	427,861
Amortization REO	-1,321	-56,437	-74,464	-54,697	-33,540	-25,831
EBITDA	**14,816**	**46,300**	**92,140**	**40,733**	**104,052**	**122,439**
EBITDA margin	17%	22%	32%	19%	39%	44%
Cash EBITDA	**32,891**	**136,019**	**250,794**	**209,288**	**264,861**	**295,892**
Cash EBITDA margin	31%	57%	68%	65%	67%	69%
EBIT	**9,489**	**40,290**	**82,024**	**30,220**	**93,397**	**111,734**
EBIT Margin	11%	19%	29%	14%	35%	40%
Net Financials	-7,514	-34,140	-49,389	-49,535	-54,764	-55,537
Tax	612	-3,770	-11,667	-7,834	-9,658	-14,049
Net profit	**2,587**	**2,388**	**20,968**	**-27,150**	**28,975**	**42,148**
Attributable to:						
Equity holders	2,619	4,490	16,326	-9,377	33,845	46,545
Minority	32	2,102	-4,642	17,773	4,870	4,397
Growth:						
Collection	*305%*	*207%*	*65%*	*-10%*	*22%*	*8%*
Third-party collection	*73%*	*18%*	*15%*	*-21%*	*20%*	*11%*
Net revenues	*142%*	*130%*	*38%*	*-26%*	*27%*	*5%*
Gross revenues	*159%*	*128%*	*54%*	*-12%*	*21%*	*9%*
Cash EBITDA	*n.m.*	*314%*	*84%*	*-17%*	*27%*	*12%*
Tax rate	-31%	61%	*36%*	-41%	25%	25%
Key Items						
ERC	858	1,663	2,189	2,218	2,297	2,346
Equity ratio	47%	30%	28%	28%	29%	30%
Net debt	250,156	663,664	858,276	875,531	884,600	888,464
ROE	1.18%	1.71%	5.99%	-3.24%	10.73%	13.09%
Normalised ROE	1.62%	0.50%	6.02%	10.26%	10.73%	13.09%
Investments	363	561	399	211	200	220

Source: ABG Sundal Collier, Axactor

Estimated balance sheet 2020-2022

Estimated balance sheet

Balance sheet (EUR'000)	2017	2018	2019	2020e	2021e	2022e
Non-current assets						
Tangible fixed assets	2,499	2,683	8,749	8,028	8,076	8,125
Intangible assets	18,359	19,170	21,487	20,924	21,082	21,240
Goodwill	53,582	55,578	56,170	53,784	53,784	53,784
Deferred tax asset	3,945	7,564	9,742	5,111	5,111	5,111
Tangible and intangible assets	**78,385**	**84,995**	**96,148**	**87,847**	**88,053**	**88,260**
Purchased debt portfolios	317,150	728,820	1,041,919	1,111,367	1,180,098	1,248,476
Other long term receivables	1,086	293	765	503	503	503
Other long term investments	170	778	193	193	193	193
Total non current assets	**396,791**	**814,886**	**1,139,025**	**1,199,910**	**1,268,847**	**1,337,432**
Current assets						
Stock of secured assets	154,101	200,009	129,040	76,423	42,883	17,052
Current receivables	8,589	9,937	13,135	7,777	9,838	10,369
Other current assets	12,528	12,294	14,960	10,719	13,561	14,292
Restricted cash	1,878	24	3,739	2,149	2,003	4,328
Cash and cash equivalents	48,604	70,753	71,657	30,418	26,443	56,381
Total Current assets	**225,700**	**293,017**	**232,531**	**127,486**	**94,728**	**102,422**
Total Assets	**622,491**	**1,107,803**	**1,371,556**	**1,327,396**	**1,363,575**	**1,439,854**
Equity						
Share capital	79,377	81,115	81,338	97,040	97,040	97,040
Share premium	196,298	200,298	201,879	236,502	236,502	236,502
Retained earnings & reserves	-15,617	-16,989	-2,568	-35,064	-1,218	45,327
Non-controlling interest	31,776	63,746	96,977	71,685	64,914	58,717
Total equity	**291,834**	**328,170**	**377,626**	**370,163**	**397,238**	**437,586**
Non-current liabilities						
Non-current interest bearing debt	237,571	567,829	466,378	586,683	765,949	944,845
Deferred tax liabilities	5,887	11,124	17,591	11,142	11,142	11,142
Other non current liabilities	3,002	3,446	4,895	4,380	4,380	4,380
Sum non-current liabilitities	**246,460**	**582,399**	**488,864**	**602,205**	**781,471**	**960,367**
Current liabilities						
Accounts payables	4,029	4,522	5,902	7,598	4,142	4,349
Current portion of long-term debt	61,189	166,588	463,555	319,266	145,094	0
Taxes payable	1,376	5,192	6,570	6,516	8,243	8,687
Other current liabilities	17,603	20,932	29,040	21,648	27,387	28,865
Total current liabilities	**84,197**	**197,234**	**505,066**	**355,028**	**184,866**	**41,901**
Total equity and liabilities	**622,491**	**1,107,803**	**1,371,556**	**1,327,396**	**1,363,575**	**1,439,854**

Source: ABG Sundal Collier, Axactor

Estimated cash flow statement and credit metrics 2020-2022

Capex almost fully-funded by operating cash flow, steady decline in LTV

We estimate that Axactor will generate operating cash flow in the period 2021-2022, which alone will almost fully fund capex levels going forward and secure a healthy liquidity position.

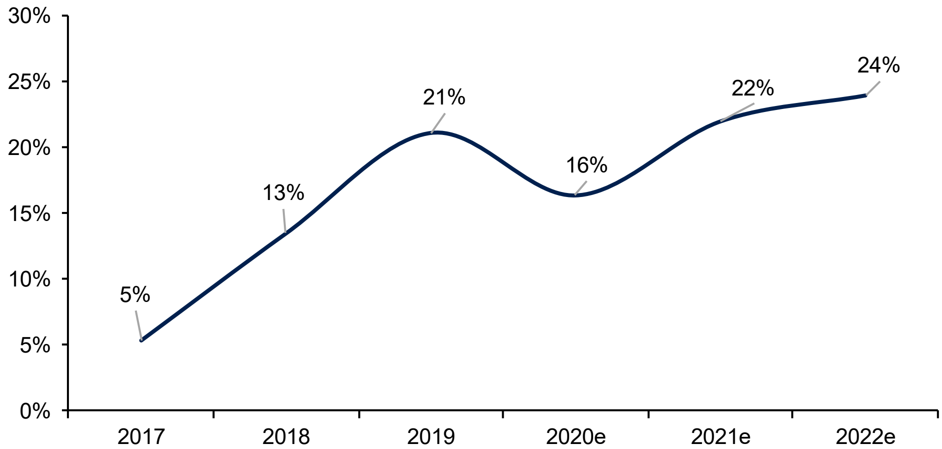
From a credit perspective, we note that our estimates imply that the company will be relatively tight on its LTV covenant, but that the company will see a steady decline in LTV going forward. In terms of leverage ratio and interest coverage, we do not see any covenant risk.

Estimated cash flow statement

EUR'000 Cash Flow (direct method)	2017	2018	2019	2020e	2021e	2022e
EBITDA	**14,816**	**46,300**	**92,140**	**40,733**	**104,052**	**122,439**
Portfolio amortisation & revaluation	16,402	88,332	157,398	168,038	160,809	173,453
Other non cash items	1,806	1,374	1,256	517	0	0
Cash EBITDA (adj. option cost)	**33,024**	**136,006**	**250,794**	**209,288**	**264,861**	**295,892**
Interest paid	-15,503	-34,495	-49,863	-54,423	-55,016	-55,668
Taxes paid	-1,531	-2,543	-4,741	-6,675	-9,658	-14,049
Funds from operations (FFO)	**15,990**	**98,968**	**196,190**	**148,190**	**200,186**	**226,174**
Working capital	-8,099	2,783	-679	250	-2,340	-602
Operating cash flow (CFO)	**7,891**	**101,751**	**195,511**	**148,440**	**197,846**	**225,572**
Portfolio investments	-355,202	-555,649	-401,429	-214,265	-200,000	-220,000
Investment in subisidiary	-1,409	-1,086	0	0	0	0
Purchase tangible & intangible assets	-5,401	-6,995	-9,642	-6,799	-7,061	-7,111
Purchase of financial assets	175	0	-250	442	0	0
Interest received	96	17	98	22	0	0
Free cash flow (FCF)	**-353,850**	**-461,962**	**-215,712**	**-72,160**	**-9,215**	**-1,540**
Proceeds from borrowings	277,752	600,651	303,984	93,877	300,000	110,000
Repayment of debt	-42,485	-156,791	-80,089	-107,953	-294,906	-76,197
Dividends	0	0	0	0	0	0
Proceeds share issue & minorities	107,082	38,468	-865	45,247	0	0
Share issue cost	-1,885	-31	0	-959	0	0
Net cash flow (NCF)	**-13,386**	**20,335**	**7,318**	**-41,948**	**-4,121**	**32,263**
Total cash at beginning of period	**63,986**	**50,482**	**70,777**	**75,396**	**32,567**	**28,446**
FX effects of cash	-118	-40	-2699	-879		
Total cash at the end of the period	**50,482**	**70,777**	**75,396**	**32,569**	**28,446**	**60,709**

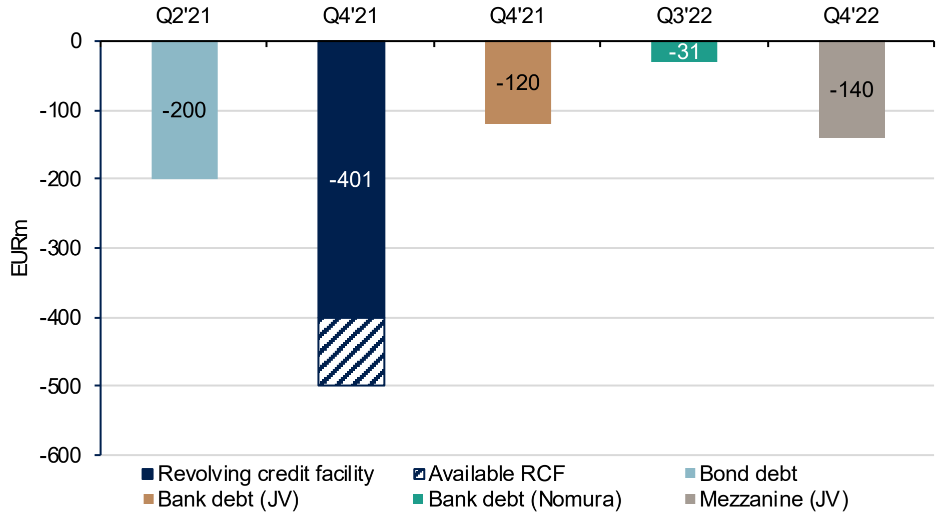
Source: ABG Sundal Collier, company data

Funds from operations/GIBD



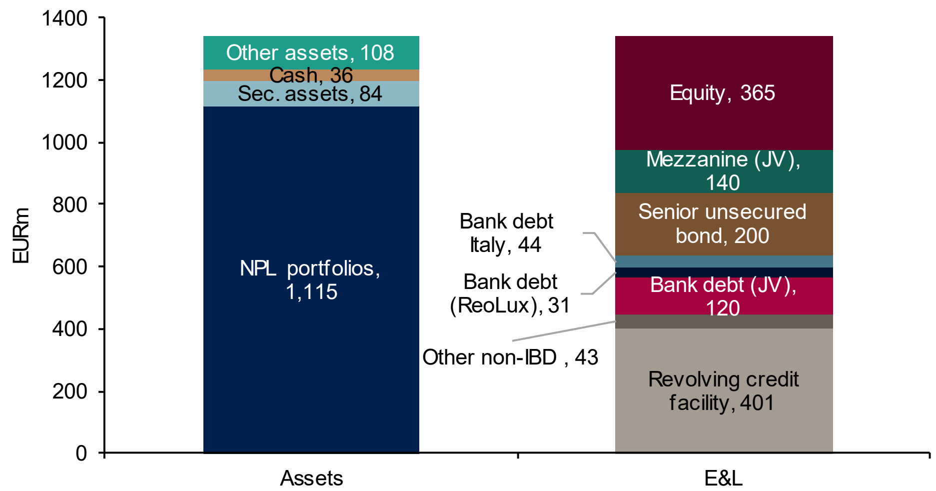
Source: Company reports, ABG Sundal Collier. GIBD = gross interest bearing debt

Debt schedule/maturity profile GIBD as of Q3'20



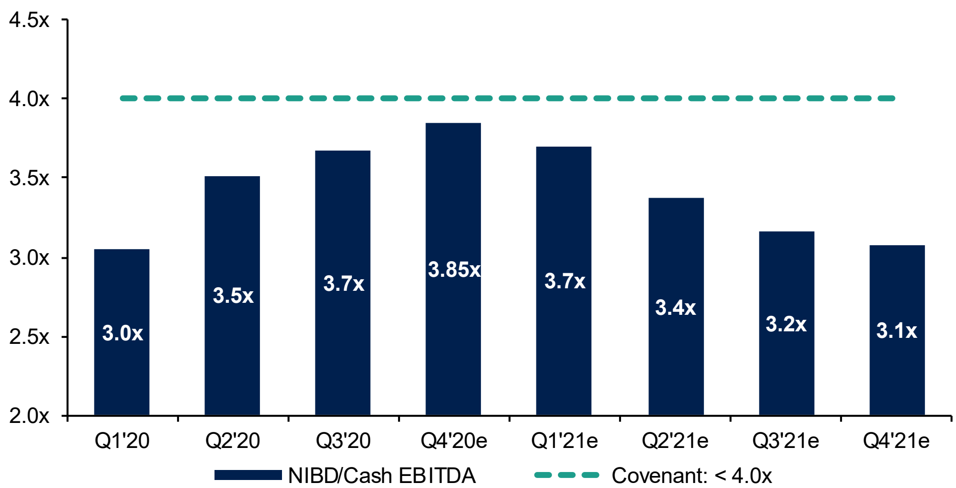
Source: Company reports. GIBD = gross interest bearing debt

Balance sheet composition Q3'20



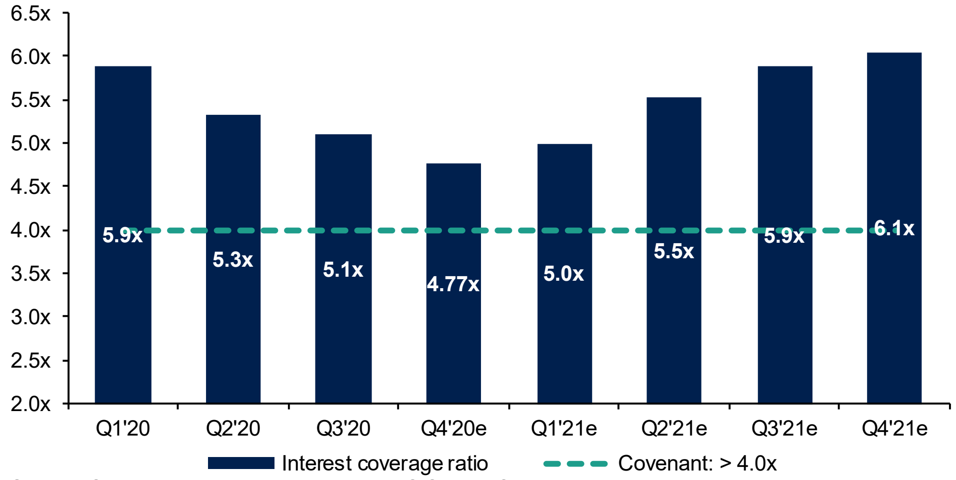
Source: Company reports

Leverage ratio (NIBD/pro-forma adj. Cash EBITDA)



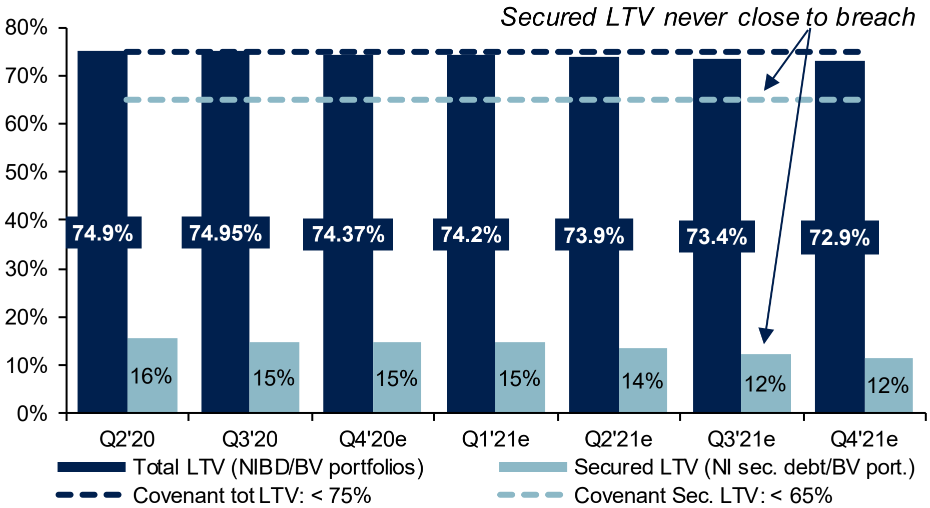
Source: Company reports, bond terms, ABG Sundal Collier

Interest coverage (pro-forma adj. Cash EBITDA/interest expense)



Source: Company reports, bond terms, ABG Sundal Collier

Total LTV (NIBD/BV NPLs and REOs)



Source: Company reports, bond terms, ABG Sundal Collier

Valuation

By triangulating the DCF valuation approaches shown in this chapter, we estimate the fair value of the company to be in the range of NOK 7.8-24.2/share, and NOK 6.4-31.0/share based on peer valuation. The DCF approach is the basis of our estimated valuation range.

DCF valuation

DCF based on terminal growth and exit-multiple indicate ~NOK 7.8-24.2/share
Our DCF valuation is based on the estimates outlined in the previous chapter, while the estimated fair value is the result of triangulating two different approaches to terminal value in a steady state and sensitivities on key assumptions.

In the first approach (below), terminal value is based on a terminal growth rate of 0.9%, assumed equal to the risk-free rate (10-year Norwegian Treasury bond). In our second approach (next page), we estimate terminal value by applying the historical median EBITDA multiple of peers and our estimated reported EBITDA of EUR 148m in 2025 (the year Axactor plans to enter a "steady state"). The latter approach is less sensitive to WACC and removes uncertainty of choosing a terminal growth rate. The bolded figures in the sensitivity tables below show our estimated fair value ranges. The average of these imply a fair value range based on DCF of NOK 7.8-24.2 per share.

DCF with terminal value based on Gordon growth

DCF with Gordon growth terminal value

DCF valuation - Axactor									
EURm	Q4'20e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e
Cash flow from operations	56	198	226	220	231	244	262	281	297
Interest cost after tax	10	41	42	42	42	43	44	45	45
Capex	-26	-207	-227	-227	-227	-227	-267	-257	-247
Free cash flow to firm	40	32	40	34	46	60	38	68	95
Discounted free cash flow	**40**	**30**	**35**	**28**	**36**	**43**	**26**	**43**	

Valuation summary	
PV DCF	280
PV terminal value	969
Enterprise value	**1,249**
Net debt Q3'20	899
Equity value	**350**
Number of shares	185
NOK/EUR	0.094
Value per share (NOK)	**20**

Assumptions		
Risk-free rate	0.9%	Norweigan 10yr treasury bond
Beta	1.75	Bloomberg adj. 3yr weekly data
Market risk premia	7.1%	Expected market return of 8%
Cost of equity	13.3%	Capital asset pricing model
Cost of debt	7.5%	Based on latest tap issue
Tax-rate	25%	Long-term norm. tax-rate
Terminal growth	0.9%	Equal to risk-free rate
WACC	**6.70%**	**Latest market cap and NIBD**

Source: ABG Sundal Collier, Axactor, Bloomberg, FactSet

Sensitivity table – value per share (NOK)

		WACC						
	P/share	**5.8%**	**6.1%**	**6.4%**	**6.7%**	**7.0%**	**7.3%**	**7.6%**
Growth	**-0.3%**	21	17	13	10	7	4	2
	0.1%	25	21	17	13	10	**7**	4
	0.5%	30	25	20	16	**13**	9	6
	0.9%	35	30	25	**20**	16	12	9
	1.3%	42	35	**30**	24	20	16	12
	1.7%	50	42	35	29	24	20	15
	2.1%	59	50	42	35	29	24	19

Source: ABG Sundal Collier

DCF with terminal value based on exit-multiple and steady state in 2025

DCF with exit multiple and steady state in 2025

DCF valuation - Axactor					
EURm	Q4'20e	2021e	2022e	2023e	2024e
Cash flow from operations	56	198	226	220	231
Interest cost after tax	10	41	42	42	42
Capex	-26	-207	-227	-227	-227
Free cash flow to firm	40	32	40	34	46
Discounted free cash flow	**40**	**30**	**35**	**28**	**36**

Valuation summary	
PV DCF	168
PV exit value	999
Enterprise value	**1,167**
Net debt Q3'20	899
Equity value	**268**
Number of shares	185
NOK/EUR	0.094
Value per share (NOK)	**15**

Assumptions		
WACC	6.70%	Latest market cap and NIBD
EV/EBITDA 12m fwd.	9.4	5yr median of peers
EBITDA (reported)	148	Exit-year 2025
Exit value	1,392	EV 2025
PV exit value	999	Discounted back

Source: ABG Sundal Collier, Axactor, Bloomberg, FactSet

Sensitivity table – value per share (NOK)

		WACC						
EV/EBITDA (exit multiple)	**P/share**	**5.8%**	**6.1%**	**6.4%**	**6.7%**	**7.0%**	**7.3%**	**7.6%**
	7.8x	8	7	6	6	5	4	3
	8.2x	10	10	9	8	7	7	6
	8.6x	13	12	11	11	10	**9**	8
	9.0x	16	15	14	13	**12**	11	10
	9.4x	18	17	16	**15**	15	14	13
	9.8x	21	20	**19**	18	17	16	15
	10.2x	23	22	21	20	19	18	17
	10.6x	26	25	24	23	22	21	20
	11.0x	28	27	26	25	24	23	22

Source: ABG Sundal Collier

Peer group valuation

Relative valuation indicates a ~40% discount to peers on P/E

To supplement the DCF valuation outlined earlier in this chapter, we look at the valuation of Axactor's closest debt collection peers. On our estimates, Axactor is trading ~40% below its peers looking at the average P/E of peers for 2021. Using the lowest and highest of the peer multiples for 2021e and 2022e, we find an implied value range of NOK 6-31 per share, with a mid-point range (using average values of 15-23). We also note that the share is lagging peers significantly in terms of 12-month performance.

Peer group valuation and implied value per share

Peer group valuation

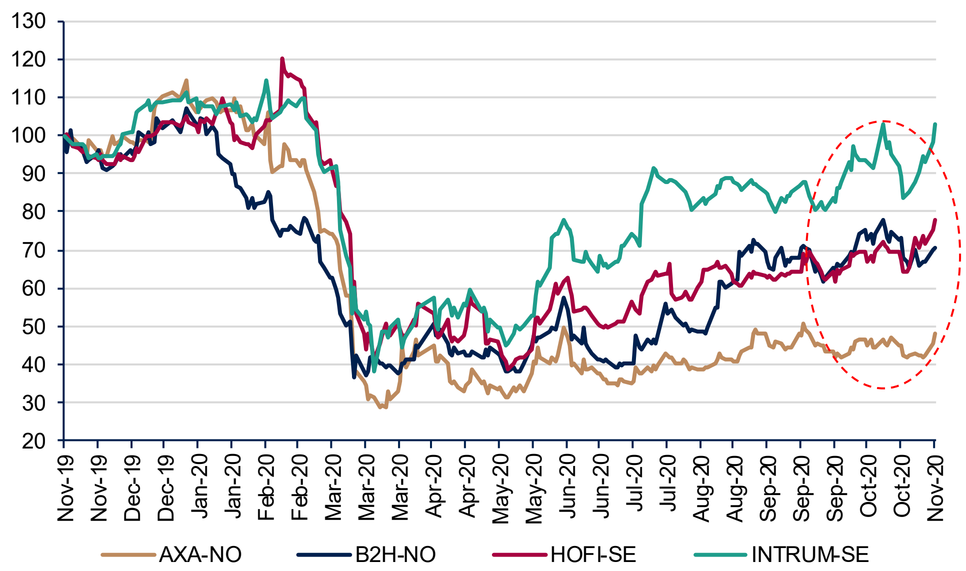
	EV/EBIT		P/E		P/BV	
Name	**2021e**	**2022e**	**2021e**	**2022e**	**2021e**	**2022e**
ABGSC estimates:						
Axactor	12.6x	10.5x	4.7x	3.2x	0.4x	0.4x
FactSet consensus figures:						
Arrow	18.2x	12.3x	5.3x	5.2x	2.4x	1.8x
Axactor	12.6x	11.6x	7.5x	4.1x	0.4x	0.4x
B2Holding	11.8x	9.5x	6.9x	4.2x	0.5x	0.5x
Cerved Group	16.7x	14.9x	11.2x	10.2x	2.0x	1.9x
Encore	7.8x	8.0x	4.2x	3.4x	0.7x	
Hoist Finance	n.m.	n.m.	6.2x	5.7x	0.6x	0.6x
Intrum	14.1x	12.5x	9.1x	8.1x	1.2x	1.1x
Kruk	4.2x	3.3x	7.8x	8.4x	1.2x	1.1x
PRA Group	15.0x	13.2x	11.7x	9.4x	1.2x	
Average	12.6x	10.7x	7.8x	6.5x	1.1x	1.0x
25th percentile	10.8x	9.1x	6.2x	4.2x	0.6x	0.5x
75th percentile	15.4x	12.7x	9.1x	8.4x	1.2x	1.4x

Value per share (NOK)

	EV/EBIT		P/E		P/BV	
Implied values	2021e	2022e	2021e	2022e	2021e	2022e
Average	16	17	15	17	22	23
25th percentile	6	7	12	11	12	11
75th percentile	31	30	18	22	23	31

Source: ABG Sundal Collier, FactSet

Share price performance last 12 months – Axactor lags its peers



Source: ABG Sundal Collier, company data

Income Statement (EURm)	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020e
Sales	74	72	64	75	56	29	62	64
COGS	-52	-46	-44	-51	-41	-59	-32	-37
Gross profit	22	26	20	24	14	-30	30	26
Other operating items	0	0	0	0	0	0	0	0
EBITDA	**22**	**26**	**20**	**24**	**14**	**-30**	**30**	**26**
Depreciation and amortisation	-2	-2	-3	-3	-3	-3	-3	-3
EBITA	**20**	**24**	**17**	**21**	**12**	**-33**	**28**	**24**
EO items	-0	-0	-0	-1	-1	-26	5	0
Impairment and PPA amortisation	0	0	0	0	0	0	0	0
EBIT	**20**	**24**	**17**	**21**	**12**	**-33**	**28**	**24**
Net financial items	-11	-14	-14	-12	-15	-14	-14	-14
Pretax profit	**8**	**10**	**6**	**9**	**6**	**-47**	**12**	**10**
Tax	-3	-4	-3	-2	-2	3	-6	-2
Net profit	**5**	**6**	**4**	**7**	**3**	**-44**	**7**	**7**
Minority interest	-3	-2	1	-1	2	18	-3	1
Net profit discontinued	0	0	0	0	0	0	0	0
Net profit to shareholders	**2**	**5**	**4**	**5**	**5**	**-27**	**4**	**9**
EPS	0	0.03	0.03	0.03	0.03	-0.14	0.02	0.05
EPS Adj	0	0.03	0.02	0.04	0.00	-0.01	0.01	0.05
Total extraordinary items after tax	-0	-0	1	-0	5	-25	2	0
Tax rate (%)	*42.0*	*37.3*	*42.3*	*23.2*	*38.4*	*5.4*	*47.1*	*25.0*
Gross margin (%)	*30.1*	*36.1*	*31.2*	*31.8*	*25.4*	*-104.6*	*48.7*	*41.2*
EBITDA margin (%)	*30.1*	*36.1*	*31.2*	*31.8*	*25.4*	*-104.6*	*48.7*	*41.2*
EBITA margin (%)	*27.0*	*32.8*	*27.1*	*28.1*	*20.7*	*-113.7*	*44.5*	*37.0*
EBIT margin (%)	*27.0*	*32.8*	*27.1*	*28.1*	*20.7*	*-113.7*	*44.5*	*37.0*
Pretax margin (%)	*10.8*	*13.6*	*9.9*	*11.4*	*10.1*	*-163.8*	*19.7*	*15.3*
Net margin (%)	*6.3*	*8.5*	*5.7*	*8.7*	*6.2*	*-154.9*	*10.4*	*11.5*
Growth rates Y/Y	**Q1 2019**	**Q2 2019**	**Q3 2019**	**Q4 2019**	**Q1 2020**	**Q2 2020**	**Q3 2020**	**Q4 2020e**
Sales growth (%)	*105.7*	*33.2*	*32.0*	*10.0*	*-24.5*	*-60.4*	*-3.1*	*-14.9*
EBITDA growth (%)	*263.1*	*146.5*	*99.8*	*21.7*	*-36.2*	*-chg*	*51.5*	*10.1*
EBIT growth (%)	*317.9*	*160.1*	*104.4*	*17.4*	*-42.1*	*-chg*	*59.2*	*12.3*
Net profit growth (%)	*+chg*	*3,563.7*	*825.6*	*132.1*	*-25.4*	*-chg*	*77.8*	*11.7*
EPS growth (%)	*+chg*	*3,563.7*	*825.6*	*132.1*	*-25.4*	*-chg*	*77.8*	*11.7*
Adj earnings numbers	**Q1 2019**	**Q2 2019**	**Q3 2019**	**Q4 2019**	**Q1 2020**	**Q2 2020**	**Q3 2020**	**Q4 2020e**
EBITDA Adj	22	26	20	24	16	-4	25	26
EBITDA Adj margin (%)	*30.3*	*36.6*	*31.7*	*32.6*	*27.9*	*-13.3*	*40.6*	*41.2*
EBITA Adj	20	24	18	22	13	-6	23	24
EBITA Adj margin (%)	*27.2*	*33.3*	*27.6*	*28.8*	*23.2*	*-22.4*	*36.4*	*37.0*
EBIT Adj	20	24	18	22	13	-6	23	24
EBIT Adj margin (%)	*27.2*	*33.3*	*27.6*	*28.8*	*23.2*	*-22.4*	*36.4*	*37.0*
Pretax profit Adj	9	10	4	9	-2	-21	8	10
Net profit Adj	5	7	2	7	-1	-20	4	7
Net profit to shareholders Adj	2	5	3	6	1	-2	2	9
Net Adj margin (%)	*6.8*	*9.1*	*3.5*	*9.4*	*-2.1*	*-68.8*	*7.1*	*11.5*

Source: ABG Sundal Collier, Company data

Income Statement (EURm)	na	na	2015	2016	2017	2018	2019	2020e	2021e	2022e
Sales	na	na	0	37	90	207	285	210	266	280
COGS	na	na	0	-44	-75	-161	-193	-169	-162	-158
Gross profit	na	na	0	-6	15	46	92	41	104	122
Other operating items	na	na	0	0	0	0	0	0	0	0
EBITDA	**na**	**na**	**0**	**-6**	**15**	**46**	**92**	**41**	**104**	**122**
Depreciation and amortisation	na	na	0	-3	-5	-6	-10	-11	-11	-11
Of which leasing depreciation	na	na	0	0	0	0	0	0	0	0
EBITA	**na**	**na**	**0**	**-10**	**9**	**40**	**82**	**30**	**93**	**112**
EO items	na	na	0	-3	-2	6	-2	-60	0	0
Impairment and PPA amortisation	na	na	0	0	0	0	0	0	0	0
EBIT	**na**	**na**	**0**	**-10**	**9**	**40**	**82**	**30**	**93**	**112**
Net financial items	na	na	0	-2	-7	-34	-51	-57	-55	-56
Pretax profit	**na**	**na**	**0**	**-12**	**2**	**6**	**33**	**-19**	**39**	**56**
Tax	na	na	0	1	1	-4	-12	-8	-10	-14
Net profit	**na**	**na**	**0**	**-11**	**3**	**2**	**21**	**-27**	**29**	**42**
Minority interest	na	na	0	0	0	2	-5	18	5	4
Net profit discontinued	na	na	0	0	0	0	0	0	0	0
Net profit to shareholders	**na**	**na**	**0**	**-11**	**3**	**4**	**16**	**-9**	**34**	**47**
EPS	na	na	0	-0.01	0.00	0.03	0.11	-0.05	0.18	0.25
EPS Adj	*na*	*na*	*0*	*-0.01*	*0.00*	*0.01*	*0.10*	*0.16*	*0.18*	*0.25*
Total extraordinary items after tax	na	na	0	-3	-3	2	0	-73	0	0
Leasing payments	na	na	0	0	0	0	0	0	0	0
Tax rate (%)	*na*	*na*	*ns*	*6.1*	*31.0*	*61.3*	*35.7*	*40.6*	*25.0*	*25.0*
Gross margin (%)	*na*	*na*	*nm*	*-17.5*	*16.5*	*22.4*	*32.3*	*19.4*	*39.1*	*43.7*
EBITDA margin (%)	*na*	*na*	*nm*	*-17.5*	*16.5*	*22.4*	*32.3*	*19.4*	*39.1*	*43.7*
EBITA margin (%)	*na*	*na*	*nm*	*-25.9*	*10.6*	*19.5*	*28.8*	*14.4*	*35.1*	*39.9*
EBIT margin (%)	*na*	*na*	*nm*	*-25.9*	*10.6*	*19.5*	*28.8*	*14.4*	*35.1*	*39.9*
Pretax margin (%)	*na*	*na*	*nm*	*-32.1*	*2.2*	*3.0*	*11.4*	*-9.2*	*14.5*	*20.1*
Net margin (%)	*na*	*na*	*nm*	*-30.1*	*2.9*	*1.2*	*7.4*	*-12.9*	*10.9*	*15.0*
Growth rates Y/Y	**na**	**na**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020e**	**2021e**	**2022e**
Sales growth (%)	*na*	*na*	*na*	*na*	*142.2*	*130.4*	*37.8*	*-26.3*	*26.5*	*5.4*
EBITDA growth (%)	*na*	*na*	*na*	*high*	*328.4*	*212.5*	*99.0*	*-55.8*	*155.4*	*17.7*
EBIT growth (%)	*na*	*na*	*na*	*high*	*198.7*	*324.6*	*103.6*	*-63.2*	*209.1*	*19.6*
Net profit growth (%)	*na*	*na*	*na*	*high*	*123.2*	*-8.0*	*781.0*	*-229.5*	*206.7*	*45.5*
EPS growth (%)	*na*	*na*	*na*	*high*	*116.0*	*1,512.2*	*307.2*	*-147.9*	*461.0*	*37.5*
Profitability	**na**	**na**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020e**	**2021e**	**2022e**
ROE (%)	*na*	*na*	*na*	*-12.2*	*1.2*	*1.7*	*6.0*	*-3.2*	*10.7*	*13.1*
ROE Adj (%)	*na*	*na*	*na*	*-8.5*	*2.5*	*0.8*	*5.9*	*10.3*	*10.7*	*13.1*
ROCE (%)	*na*	*na*	*na*	*-7.7*	*2.1*	*4.3*	*7.1*	*2.9*	*7.2*	*8.3*
ROCE Adj(%)	*na*	*na*	*na*	*-4.9*	*2.6*	*3.6*	*7.1*	*6.9*	*7.2*	*8.3*
ROIC (%)	*na*	*na*	*na*	*-8.9*	*3.3*	*2.0*	*4.7*	*3.4*	*5.5*	*6.4*
ROIC Adj (%)	*na*	*na*	*na*	*-6.1*	*3.9*	*1.7*	*4.8*	*10.1*	*5.5*	*6.4*
Adj earnings numbers	**na**	**na**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020e**	**2021e**	**2022e**
EBITDA Adj	na	na	0	-3	17	40	94	101	104	122
EBITDA Adj margin (%)	*na*	*na*	*nm*	*-9.2*	*18.5*	*19.3*	*32.9*	*47.9*	*39.1*	*43.7*
EBITDA lease Adj	na	na	0	0	0	0	0	0	0	0
EBITDA lease Adj margin (%)	*na*	*na*	*nm*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
EBITA Adj	na	na	0	-7	11	34	84	90	93	112
EBITA Adj margin (%)	*na*	*na*	*nm*	*-17.6*	*12.6*	*16.4*	*29.4*	*42.9*	*35.1*	*39.9*
EBIT Adj	na	na	0	-7	11	34	84	90	93	112
EBIT Adj margin (%)	*na*	*na*	*nm*	*-17.6*	*12.6*	*16.4*	*29.4*	*42.9*	*35.1*	*39.9*
Pretax profit Adj	na	na	0	-8	4	0	32	33	39	56
Net profit Adj	na	na	0	-8	6	0	21	12	29	42
Net profit to shareholders Adj	na	na	0	-8	6	2	16	30	34	47
Net Adj margin (%)	na	na	nm	-21.1	6.2	0.0	7.3	5.7	10.9	15.0

Source: ABG Sundal Collier, Company data

Cash Flow Statement (EURm)	na	na	2015	2016	2017	2018	2019	2020e	2021e	2022e
EBITDA	na	na	0	-6	15	46	92	41	104	122
Net financial items	na	na	0	-2	-7	-34	-51	-57	-55	-56
Paid tax	na	na	0	0	1	-4	-12	-8	-10	-14
Non-cash items	na	na	0	1	8	90	167	173	161	173
Cash flow before change in WC	na	na	0	-8	16	99	196	148	200	226
Change in WC	na	na	0	-6	-8	3	-1	0	-2	-1
Operating cash flow	**na**	**na**	**0**	**-14**	**8**	**102**	**196**	**148**	**198**	**226**
CAPEX tangible fixed assets	na	na	0	-76	-355	-556	-401	-214	-200	-220
CAPEX intangible fixed assets	na	na	0	-2	-5	-7	-10	-7	-7	-7
Acquisitions and disposals	na	na	0	-48	-1	-1	0	0	0	0
Free cash flow	**na**	**na**	**0**	**-139**	**-354**	**-462**	**-215**	**-73**	**-9**	**-2**
Dividend paid	na	na	0	0	0	0	0	0	0	0
Share issues and buybacks	na	na	0	0	0	0	0	0	0	0
Lease liability amortisation	na	na	0	0	0	0	0	0	0	0
Other non cash items	na	na	0	116	107	39	14	62	-7	-2
Balance Sheet (EURm)	**na**	**na**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020e**	**2021e**	**2022e**
Goodwill	na	na	0	53	54	56	56	54	54	54
Other intangible assets	na	na	0	22	25	29	40	34	34	34
Tangible fixed assets	na	na	0	128	471	929	1,171	1,188	1,223	1,266
Right-of-use asset	na	na	0	0	0	0	0	0	0	0
Total other fixed assets	na	na	0	1	1	1	1	1	1	1
Fixed assets	na	na	0	205	551	1,015	1,268	1,276	1,312	1,354
Inventories	na	na	0	0	0	0	0	0	0	0
Receivables	na	na	0	6	9	10	13	8	10	10
Other current assets	na	na	0	8	13	12	15	11	14	14
Cash and liquid assets	na	na	0	65	50	71	75	33	28	61
Total assets	**na**	**na**	**0**	**283**	**622**	**1,108**	**1,372**	**1,327**	**1,364**	**1,440**
Shareholders equity	na	na	0	183	260	264	281	298	332	379
Minority	na	na	0	0	32	64	97	72	65	59
Total equity	**na**	**na**	**0**	**183**	**292**	**328**	**378**	**370**	**397**	**438**
Long-term debt	na	na	0	25	238	568	466	587	766	945
Pension debt	na	na	0	0	0	0	0	0	0	0
Convertible debt	na	na	0	0	0	0	0	0	0	0
Leasing liability	na	na	0	0	0	0	0	0	0	0
Total other long-term liabilities	na	na	0	9	9	15	22	16	16	16
Short-term debt	na	na	0	49	61	167	464	319	145	0
Accounts payable	na	na	0	7	4	5	6	8	4	4
Other current liabilities	na	na	0	10	19	26	36	28	36	38
Total liabilities and equity	**na**	**na**	**0**	**283**	**622**	**1,108**	**1,372**	**1,327**	**1,364**	**1,440**
Net IB debt	na	na	0	9	248	664	855	873	883	884
Net IB debt excl. pension debt	na	na	0	9	248	664	855	873	883	884
Net IB debt excl. leasing	na	na	0	0	0	0	0	0	0	0
Capital invested	na	na	0	202	549	1,006	1,255	1,259	1,295	1,337
Working capital	na	na	0	-3	-2	-8	-13	-17	-16	-17
EV breakdown	**na**	**na**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020e**	**2021e**	**2022e**
Market cap. diluted (m)	na	na	1,354	3,742	4,973	323	300	144	144	144
Net IB debt Adj	na	na	0	9	248	664	855	873	883	884
Market value of minority	na	na	0	0	0	0	0	0	0	0
Reversal of shares and participations	na	na	0	0	0	0	0	0	0	0
Reversal of conv. debt assumed equity	na	na	0	0	0	0	0	0	0	0
EV	**na**	**na**	**1,354**	**3,751**	**5,222**	**987**	**1,155**	**1,017**	**1,026**	**1,028**
Capital efficiency	**na**	**na**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020e**	**2021e**	**2022e**
Total assets turnover (%)	*na*	*na*	*na*	*26.2*	*19.8*	*23.9*	*23.0*	*15.6*	*19.8*	*20.0*
Working capital/sales (%)	*na*	*na*	*na*	*-4.5*	*-2.9*	*-2.5*	*-3.8*	*-7.3*	*-6.3*	*-6.0*
Financial risk and debt service	**na**	**na**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020e**	**2021e**	**2022e**
Net debt/equity	*na*	*na*	*nm*	*0.05*	*0.85*	*2.02*	*2.26*	*2.36*	*2.22*	*2.02*
Net debt/market cap	*na*	*na*	*0*	*0.00*	*0.06*	*1.66*	*2.92*	*6.08*	*6.15*	*6.16*
Equity ratio (%)	*na*	*na*	*nm*	*64.6*	*46.9*	*29.6*	*27.5*	*27.9*	*29.1*	*30.4*
Net IB debt adj./equity	*na*	*na*	*nm*	*0.05*	*0.85*	*2.02*	*2.26*	*2.36*	*2.22*	*2.02*
Current ratio	*na*	*na*	*nm*	*1.19*	*0.85*	*0.47*	*0.20*	*0.14*	*0.28*	*2.04*
EBITDA/net interest	*na*	*na*	*na*	*-3.39*	*2.17*	*1.56*	*1.80*	*0.73*	*1.90*	*2.20*
Net IB debt/EBITDA	*na*	*na*	*nm*	*-1.46*	*16.76*	*14.33*	*9.27*	*21.44*	*8.48*	*7.22*
Net IB debt/EBITDA lease Adj	*na*	*na*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*
Interest cover	*na*	*na*	*nm*	*-4.76*	*1.38*	*1.36*	*1.60*	*0.54*	*1.70*	*2.01*

Source: ABG Sundal Collier, Company data

Valuation and Ratios (EURm)	na	na	2015	2016	2017	2018	2019	2020e	2021e	2022e
Shares outstanding adj.	na	na	597	1,226	1,516	154	155	185	185	185
Fully diluted shares Adj	na	na	652	1,282	1,702	173	155	185	185	185
EPS	na	na	0	-0.01	0.00	0.03	0.11	-0.05	0.18	0.25
Dividend per share Adj	na	na	0	0	0	0	0	0	0	0
EPS Adj	na	na	0	-0.01	0.00	0.01	0.10	0.16	0.18	0.25
BVPS	na	na	0	0.15	0.17	1.71	1.81	1.61	1.79	2.04
BVPS Adj	na	na	0	0.10	0.13	1.29	1.33	1.25	1.43	1.68
Net IB debt / share	na	na	0	0.0	0.2	4.3	5.5	4.7	4.8	4.8
Share price	na	na	2.08	2.92	2.92	1.87	1.93	0.77	0.77	0.77
Market cap. (m)	na	na	1,239	3,580	4,431	288	300	144	144	144
Valuation	**na**	**na**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020e**	**2021e**	**2022e**
P/E	na	na	nm	-290.8	1,818.3	72.1	18.3	-15.3	4.2	3.1
EV/sales	na	na	nm	101.19	58.16	4.77	4.05	4.84	3.86	3.67
EV/EBITDA	na	na	nm	-578.2	352.4	21.3	12.5	25.0	9.9	8.4
EV/EBITA	na	na	nm	-390.2	550.3	24.5	14.1	33.7	11.0	9.2
EV/EBIT	na	na	nm	-390.2	550.3	24.5	14.1	33.7	11.0	9.2
Dividend yield (%)	*na*	*na*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
FCF yield (%)	*na*	*na*	*0*	*-4.3*	*-7.4*	*-143.0*	*-72.1*	*-50.6*	*-6.4*	*-1.1*
Lease adj. FCF yield (%)	*na*	*na*	*0*	*-4.3*	*-7.4*	*-143.0*	*-72.1*	*-50.6*	*-6.4*	*-1.1*
P/BVPS	na	na	nm	19.57	17.04	1.09	1.07	0.48	0.43	0.38
P/BVPS Adj	na	na	nm	28.50	22.15	1.45	1.46	0.62	0.54	0.46
P/E Adj	na	na	nm	-415.6	856.4	152.4	18.4	4.8	4.2	3.1
EV/EBITDA Adj	na	na	nm	-1,100.4	314.1	24.7	12.3	10.1	9.9	8.4
EV/EBITA Adj	na	na	nm	-574.0	462.3	29.1	13.8	11.3	11.0	9.2
EV/EBIT Adj	na	na	nm	-574.0	462.3	29.1	13.8	11.3	11.0	9.2
EV/cap. employed	na	na	nm	14.6	8.8	0.9	0.9	0.8	0.8	0.7
Investment ratios	**na**	**na**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020e**	**2021e**	**2022e**
Capex/sales	na	na	nm	209.7	401.5	271.9	144.1	105.2	77.9	81.0
Capex/depreciation	na	na	nm	2,486.4	6,767.5	9,361.5	4,062.6	2,102.5	1,943.3	2,121.7
Capex tangibles/tangible fixed assets	na	na	nm	59.1	75.4	59.8	34.3	18.0	16.4	17.4
Capex intangibles/definite intangibles	na	na	nm	55.7	82.3	68.1	51.6	51.6	53.5	53.7
Depreciation on intangibles/definite inta	na	na	nm	0	0	0	0	0	0	0
Depreciation on tangibles/tangibles	na	na	nm	2.4	1.1	0.6	0.9	0.9	0.9	0.8

Source: ABG Sundal Collier, Company data

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